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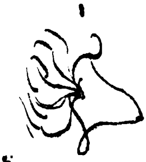

Presented to W H Van Wagenen by the author 1842

A

NATIONAL BANK,

OR

NO BANK;

AN APPEAL TO THE

COMMON SENSE OF THE PEOPLE OF THE

UNITED STATES:

ESPECIALLY OF THE

LABORING CLASSES.

BY JOHN R. HURD.

"Where no ox is, the crib is clean; but much increase is by the strength of the ox."

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INTRODUCTORY ADDRESS.

FELLOW CITIZENS:—

You are aware that there is a difference of opinion amongst the people of the United States, on the subject of the *Banking System* of this country generally, and especially upon the subject of a NATIONAL BANK.

This difference of opinion has been made at times a matter of party distinction. Each of the two political parties, into which the country is frequently divided, taking opposite sides: one for, and the other against Banks, and one for, and the other against a National Bank. In this way the real subject of enquiry has been lost sight of. The question with both sides, having been more to know what will favor this or that party, than to know whether Banks are good in themselves, or not; or whether a National Bank be a benefit to the country or not.

It needs but a moment's consideration, however, to convince any one that, aside from all party views whatever, and even on the supposition, that there were no political parties in existence, it a matter of very great importance, to know whether Banks, such as our State Banks are, should be sustained or not:—whether they are a good, or an evil—whether, if a good, they require restraint, or regulation, and if they do require it, what kind of restraint this should be. So also to know whether a National Bank, such as we have had in the country, be useful or not; and if useful, how and for what reasons it is so.

No matter what political party be in power, or who may be at the head of the government, these are subjects to be treated upon their own merits. The interests of party is not to be taken into consideration in coming to a decision as to the expediency of these institutions. It is a case like that of a question of *war or peace*, you will readily admit that we should not declare war against another nation, merely because it would benefit this, or that party at home, you would say, that such a subject should be looked at separately, and that we should decide as the permanent well being of the whole nation might seem to require.

My object is to prevail upon you to take up the subject of Banks, and of a National Bank in this way. To allow it to stand upon its own merits. To discuss it, and to decide upon it, as a matter of importance to the whole body of the nation, and especially the great mass of the people, the LABORING CLASSES.

The moment is favorable. There are no important elections now pending: and if there were, this is a subject about which persons of the same political party, may reasonably be allowed to differ in opinion. It is a subject, too, not of importance merely for the present moment, or for the present generation; but it is one, which will continue to be of importance for years to come. It is of importance not merely for you, but it will be of the same importance for your children, and for your children's children.

You have heard repeated declarations that Banks are evils; and that

a National Bank particularly, is a great evil, and, on the other hand, you have heard as positive declarations that Banks are benefits, and that a National Bank is a great benefit; but no one has distinctly shown you in what respect Banks are an evil, or what classes of persons suffer by them; or to whom a National Bank is a great evil, or what portion of the community may have reason to object to its operations.

On the other hand again, no one has shown you how Banks are beneficial to the *people:* in what respect they are a good, or under what circumstances of restraint they are beneficial; neither has any one as distinctly shown you how, or why, a National Bank is desirable for the *general welfare;* however it may interfere with the operations of comparatively a very small number of individuals.

My purpose is to prevail upon you to enter with me into an examination of these particulars. To enquire in what manner Banks generally are advantageous to the nation; what evils attend their establishment; how these evils may be remedied; and what class of persons may be incommoded by their operations. To enquire, also, in what manner a National Bank is, or may be, advantageous to the country, what objections may be made to such a Bank. By whom these objections may be made, and what the mass of the people has to do with the reasons of these objections. To enquire, in fine, whether the *interest of the working classes* has been consulted at all, in the hostility so frequently exhibited towards a National Bank, and indeed, to all Banks: and, if this hostility be not founded in any regard for the welfare of the *people*, to enquire how it is that public opinion has been, in certain respects, so much misled upon the subject.

In pursuing this investigation, we may be obliged to enter more fully into the examination of some particulars, than is necessary for the understanding of persons familiar with matters of this kind; but as there are many to whom the subject is not so familiar, it seems necessary to go back in some degree to first principles, in order to be equally understood by all.

This mode of treating the enquiry may appear to impose a tax upon your patience; but the principles alluded to are generally of a character sufficiently interesting to merit attention: even aside from the purpose for which they have been introduced. Beyond this patience, I have only to ask your candid and unbiased attention to the statement presented.

You are most of you of the class of citizens who are, or have been, subject to *jury duty*, you know the state of mind with which a juryman should come to his seat in any trial of importance. The question of a National Bank, or no National Bank; of Banks or no Banks, presents one of the most important civil cases, upon which you can be called to give an opinion.

In exercising your judgment upon the facts and arguments here laid before you, I trust you will feel it a duty to lay aside all party prejudice and personal feeling; as you would feel it so in a court of justice, where the majesty of the laws, and the well being of your fellow citizens might depend upon your decision.

In this trust I shall submit the case, reminding you only that the welfare of YOUR COUNTRY is dependant upon your verdict.

PART FIRST.

SECTION I.

Use and Importance of Money Capital.

In the working of all machinery, it is desirable that there should be as little *loss of power* as possible.

Suppose the steam engine of a factory to be capable of performing to advantage twice as much as it does, with the same expense: there is here a loss of half the power employed. If there be two factories in the same neighborhood, in one of which, with the same machinery, and the same outlay, only half the work is turned out which is produced in the other, the owner of the establishment producing most will be able to undersell the proprietor of the other so much, that from this circumstance alone the latter may be obliged to relinquish his business.

It is equally desirable that a piece of land should yield as much as it is capable of producing with the same labor and expense. Suppose, for example, a field manured, and plowed, and prepared for seed: if but one half of it be sown, there is here a loss of so much power. If there be two countries, both capable of producing the same quantity of wheat; both cultivated at the same expense; but one of them, from want of management, producing only one half of what the other produces, the country producing most will be able to undersell the other so much as to shut it out of any foreign market.

Man himself may be contemplated as a machine of the same kind. If a laborer, able to earn one dollar per day for every working day in the year, be employed but half of this time, there is in his case so much loss of power. Suppose two mechanics, both having it equally in their power to earn one dollar per day, or three hundred dollars for the year; and both subsisting equally well on one hundred and fifty dollars a year. If one of these persons work only one hundred and fifty days, and the other three hundred days, the first will do no more than earn his bare subsistence, while the other will not only be able to live as well as his neighbor, but he will lay up besides one hundred and fifty dollars at the end of the year. If a year succeed in which it is difficult for these mechanics to obtain work, he who can work the cheapest will soonest find employment. The man who labors three hundred days in the year, can now work for seventy-five cents a day, and he will live as well as he did before, and lay by seventy-five dollars at the close of the year; while he who works only half this time, cannot labor for less than he did before, without depriving himself of some of the neccssaries of life. It is the same with nations.

Suppose a country, the inhabitants of which labor three hundred days in the year: and another, where, from the number of holidays, the people work only one hundred and fifty days in the year. The productions in both cases being the same, the country where the people labor most will be able to undersell the other. In the country where there are not so many holidays, the inhabitants may become wealthy; when, under the same circumstances, except in this particular, the inhabitants of the other country may be impoverished, and barely able to sustain themselves.

The result would be the same, if in one country only half the people labored, while in the other they were all alike employed. Where the greatest number of the people labor, in proportion to the whole number of consumers, there, other things being equal, the productions of the country will be afforded at the lowest rate. The difference arising from the loss, or gain, in *labor power.*

What is true of loss of power in regard to the labor of men, or to the cultivation of land, or to the working of a machine, is equally true with regard to *capital*, or to that part of property which is capable of being employed so as to yield a profit.

Suppose a man to earn by his labor three hundred dollars a year, while his whole expenses do not exceed two hundred dollars. At the end of the year, he will have one hundred dollars, to be lent on interest, or to be employed in trade, so as to give him a profit. This one hundred dollars is so much capital. If this capital be placed out at interest, the one hundred dollars has the power of producing six or seven dollars at the end of the year. If it be employed in trade, it will probably produce more; as interest may be considered somewhat less than the lowest profit expected in the place where it is given; no one, as a general rule, being willing to give more interest for money, than he expects to make profit out of it—while many will pay interest for a very small gain over and above this interest. If this capital of one hundred dollars, however, be allowed to remain idle, it gains neither interest nor profit. Here, then, is so much *loss of power* in capital. Of course the importance of this loss of power increases in proportion to the amount of capital, or of any number of capitals, thus left idle.

All the capital in the world may be considered as so much saving from the compensation of labor of some kind, after deducting expenses. The capital of every country consists of the savings of labor of that country, together with the accumulated savings of labor which have been brought into it from other countries. A nation becomes richer, or more prosperous, in proportion as more or less of the whole capital of the country is employed so as to yield a profit. If only half the amount be employed which might have been employed to equal advantage, the nation will not increase in riches half as much as it might.

Suppose two countries with each the same amount of capital, and each subject to the same expenses for consumption. If one of these countries employ only half its capital, and the other employ the whole, both at the same rate of profit, the last will be able to furnish its produce, other things being equal, at a rate so much cheaper than the first, as perhaps to shut it out of a foreign market.

Suppose two men employed in the same trade, each having a capital of ten thousand dollars, and each being subject to the same expense of living, equal to the profits on one half of this capital. If one of them employ the whole of his ten thousand dollars, he will be able, besides his expen-

ses, to lay up as much more at the end of the year; while the other, who keeps five thousand dollars of his money idle, may be barely able to make both ends meet. The first will therefore be able to undersell his neighbor, and accumulate a surplus from a reduced rate of profit; while the other must deprive himself of some of the necessaries of life, in order to sell his goods at the same prices. Such is the consequence of the loss of power in respect to capital.

The operation is the same with nations. As we have seen, where the capital of both countries are the same, the country which employs most of its capital will have the advantage of the other; but we may go still further. Suppose two countries, one of which has a much larger capital than the other, but which does not employ so much of this capital as it might: the other with less capital employs the whole amount; other circumstances being the same in both cases. The country with the smallest capital is able to compete so much the better with the richer country, in proportion as one has a great deal of its capital lying idle, while the other gives full employment to every dollar that can be scraped together. Hence the less capital any country may possess, in proportion to the capitals of its richer neighbors, the more desirable it is that there should be no *loss of power*, by allowing any part of this smaller capital to remain idle or dormant.

Great Britain affords the example of a country where there is probably the least loss of power, either in respect to time, labor, or capital; and to this peculiarity she is no doubt indebted for much of her pecuniary prosperity.

Spain and Italy, on the other hand, afford examples of *power lost*, in all these particulars. A great portion of the year, in those countries, being occupied with *holidays*, and the habits of the people inducing them to labor only so much, and so long, as may be absolutely necessary for their subsistence. The wealth of these countries being in possession of comparatively a small number of persons, and many of these persons allowing a large part of what they possess to be in a great degree idle and unimproved; while there are few or no institutions to enable the small capitalists to bring their means together, in order that the whole sum may be employed by those, who would be able and disposed to make a profitable use of it.

In most of the old countries, as they are called, the capital, though in few hands, is abundant in proportion to the opportunities of employing it. Under such circumstances, the occasion of economizing this kind of *power*, is less sensibly perceived. In the United States of America, on the contrary, as in all new countries, the capital is small in proportion to the various profitable uses to which it may be applied. With a very few individuals there may be an abundance of capital, but with the mass of the people engaged in business there is a want of it; and in any competition which arises in trade or manufacture, between these United States and the nations of the old world, those countries, having by far the largest capitals, will possess in this respect an almost overwhelming advantage. Hence in the United States it is particularly desirable that all the capital which the country can command, from whatever source it may be derived, should be drawn into active operation, and should be so continued, that in this particular there may be no *loss of power*.

N. B. The important advantages of capital may perhaps be further illustrated by a few instances of the inconvenience resulting from the want of it.

As capital unemployed is power lost, so the unemployed faculties of enterprise and industry are equally power lost. Add to this, we may say, as a general rule, the faculty of capital, and the operative faculty, must be brought together, or the power of both are lost.

Suppose a person to possess an immense tract of land in a country entirely uninhabited. Such an individual is a large capitalist in land, but as there is no one to improve his land, his capital is idle. It is entirely unprofitable, for want of being brought within the reach of the enterprise, activity and labor, of those who might improve it. Here is so much *lost power in capital.*

Suppose, on the other hand, a number of persons accustomed to farming, to be brought together in a place where there is no land to be cultivated, and to be in a situation disenabling them from doing any thing else. Here is so much *labor power* lost, because it cannot be brought within the reach of capital in land.

It is the same with money. We may suppose a person possessed of a million of dollars, which he can neither employ himself, nor lend out on interest; there being no one within his reach, of enterprise and activity, to make use of his funds. Here is power in *money capital* lost, for want of meeting with the operative power.

So, on the other hand, a number of industrious and enterprising persons accustomed to different branches of manufacture, may be living in a village on the banks of a rapid stream, admirably calculated for mill-seats, all idle, and suffering from want of employment. Ask these persons why they do not go to work, set up mills, and engage in manufacturing. They will say they have no money, and there is no one from whom they can borrow any. They cannot build mills without money. They cannot procure the raw material without money, they are therefore idle. Here is a loss of *labor power*, for want of being brought within the reach of *money capital.*

Suppose in the same place some person to come forward with money sufficient to build mills, and furnish machinery, but not having means sufficient to purchase the raw material. The mills when built, are idle, and the people are still idle. Here there is a loss both of money power and labor power, for want of *sufficient* capital.

We may see the same operation in a town or city. There may be vacant lots; there may be materials for building; there may be abundance of mechanics and laborers desirous of employment, but if there be no money with which to build, all this power in lots, and materials, and labor, remain idle for want of *sufficient* capital. So in ship-yards, materials and workmen may abound; but if no one have money to pay for building vessels, the capital in materials and tools, and the faculty in the workmen, is so much power lost, for want of further capital. The same with the merchant; his warehouses may be built, his ships may be ready to receive cargoes, his masters and mariners may be anxiously waiting for employment; but if there be not capital *enough* to load his vessels, there must be here again a double loss of power. Nor is it the shipping merchant alone that suffers in this way. The grocer, the linen draper, the artizan, and the trader of every description, must not only have the use of capital, but he must have the use of *sufficient* capital, to enable him to carry on his business advantageously; and what is true of each individual, is true of the whole nation. The country must not only have capital, but it must have the use of sufficient capital, to enable it to employ that which it has to advantage. Capital unemployed is power lost; the faculty of labor unemployed for want of capital, is power lost; and capital idle, and the faculty of labor unemployed for want of sufficient capital, is a double loss of power.

SECTION II.

Discrimination to be made between real and fictitious capital.

In speaking of the importance of capital, it is to be borne in mind that we mean *real* and not *fictitious* capital. The latter, it is true, may sometimes be the means of yielding profit to the possessor, but its operations partake of the character of fraud. They may transfer property from the possessions of one person to that of another, but what one gains the other loses. The dealer in fictitious property may make a profit on the real property of which he gets possession, but in that case he gains a profit, which does not belong to him, the owner of the real capital being the per-

son to whom the profits on that capital rightly belong. Like all other acts of injustice therefore, dealing in fictitious capital must result in loss to some one, and should like other frauds be discountenanced, on the common principles of justice. Such dealing may not always be accompanied with fraudulent intentions; and so far it may not be considered criminal, but its result to the community is the same as the execution of an absolute fraud.

Aside however from the question of justice, real capital is something limited in its amount, it cannot exceed a certain extent, whatever public confidence may be. Fictitious capital on the contrary is unlimited. It may be created to any extent, so long as it is sustained by the confidence of the public, or of a sufficient portion of the public. At the same time, like other frauds, it must ultimately be detected; and whenever the illusion vanishes, a reaction takes place in proportion, and more than in proportion to the magnitude of the fiction. The advantages supposed to have been gained, disappear, and the loss falls upon those who are comparatively most innocent of the cause, and least able to suffer the disasterous consequences.

Real capital is something which has cost so much *labor;* more or less of it may be brought into activity, but the whole quantity of it cannot be increased except by labor. More or less of it may be withdrawn from activity:—it may be more or less in demand for use; but wherever it is, whether dormant or active, it has a value attached to it; and although the call for it may vary, the reaction in its value can never be so ruinous, as in the case of fictitious capital. Time is required for the increase of real capital, because it requires labor, but fictitious capital may be increased suddenly, or at once, almost to any extent, and it may as suddenly disappear.

The laborer, who lays by one hundred dollars every year from the savings of his labor, requires two years to lay by two hundred dollars. But the man who passes his check or order upon a Bank, where he has no money, for two hundred dollars, raises this amount as it were in an instant; and this fictitious capital lasts as long as the check passes from hand to hand, before it gets to the Bank; but as soon as it comes there and the real character of the check is detected, the illusion vanishes, and the last holder, having parted with this real capital in exchange for what proves to be fictitious, loses the whole. We have only to suppose a multitude of laborers, each requiring a year to lay by one hundred dollars, to perceive how slowly in comparison, real capital increases; and we have only to imagine a state of great public confidence, in which a multitude of persons give their orders or checks on a Bank, or Banks, where they have no money, which checks are passed from hand to hand, to perceive how suddenly fictitious capital may be created; and we have only to imagine further, a moment, when this state of confidence ceases, and each of these orders is brought to the Bank, upon which it is drawn, to perceive how suddenly this fictitious capital may all disappear; and what a loss it must occasion to the last holders of these orders. All persons giving out promissory notes, and all Banks issuing bills, give orders on themselves. If they have in their possession the real capital to meet their notes or bills, their orders represent so much real capital, forthcoming whenever it is called for; but if they have nothing whatever to meet their drafts, their orders, then represent nothing; and whatever use may be made of them, or through whatever hands they may pass, they are only *fictitious capital.* As soon as the state of confidence ceases, and every note or bill is tried, that is, as soon as every order is

brought to the point upon which it is drawn, the bubble bursts, and ruin to the last holders is the consequence. Whatever the number of actors may be, and however important may be their operations, the whole multitude act the part of the man, who draws a check upon a Bank where he has no money. The injustice and inexpediency of such a state of things are evident. The inexpediency appears more strongly, when we consider how unavoidably this real and fictitious capital become mixed together, and how difficult it is to distinguish between them, after they have passed from first hands; how much every increase of fictitious capital leads to an increase in the imaginary value of every article bought or sold, and how much this increase of imaginary value leads to a further increase of fictitious capital.

If in a community, possessing one hundred millions of capital, the product of labor, this capital be suddenly supposed worth two hundred millions, although the property, by which this estimate is made be precisely the same as it was before, no sooner does anything happen to bring the matter to a test, than this imaginary one hundred millions disappears. There is nothing in the Bank to meet the order; and the loss falls upon the last holders, who were perhaps entirely innocent of any share in promoting the error. Meantime the fiction has been the means of transferring property from one hand to another; a few individuals may be richer for it, but real capital is not increased.

We must bear in mind, however, that there is an important distinction between *fictitious capital*, and *borrowed capital*. Borrowed capital may be as real as that which is not borrowed. If the laborer, who has laid by one hundred dollars in silver, from the earnings of the past year, lend this money to his friend, to be used perhaps in his business as a grocer. This one hundred dollars is as much real capital after it is lent, as it was before. It is as much *real* capital in the hands of the grocer, as it was in those of the laborer. Suppose the grocer deposit the one hundred dollars in the Bank, and allow it to remain there, it is still the same real capital that it was. It still represents the one hundred dollars worth of labor saved from the years' earnings. Suppose the Bank lend this one hundred dollars to a linen draper, who uses it in his trade; it is still the same real capital in the hands of the linen draper, that it was at first in the money box of the laborer; and yet it has been borrowed capital in the hands of every holder from the time it left those of the laborer.

Real capital, however, although it may be borrowed and lent, and lent and borrowed again, without changing character, cannot be increased in amount without labor. If the grocer wish to borrow fifty dollars more of the laborer, he must wait till the latter has laid up so much money; for if the laborer lend only his note to be paid from the earnings of the next six months, this note is fictitious capital, and not real, until the earnings have been actually laid by to meet it. As then real capital requires labor and time to be increased in amount, there can be no such sudden and unlimited increase of it, as in the case of fictitious capital; and as, on the other hand, labor generally speaking, leaves its value behind it, there cannot be the sudden and extraordinary depreciation in real capital, to which fictitious capital must be subjected. At the same time *real capital*, whether in the possession of a lender, or borrower, can have nothing of fraudulent character attached to it. The laborer who has laid by his money, has a right to lend it, and has a right to the interest paid for the use of it; and the borrower has a right to all the profits gained by the use of it, after paying the interest.

Fictitious capital may be created by the promises of individuals, of Banks, or other incorporated institutions, or of governments. If a merchant give out a note payable in six months, in expectation, that his profits will enable him to pay it when it becomes due; this note is fictitious capital till the profits be earned. If a bank, or trust company give out a note, or bond, to be paid by something that is to be earned, this also is fictitious capital till the earning is made to meet it. If the government issue its notes, or bonds to be paid out of the revenue of another year, this also is fictitious capital till the revenue accrue. If the merchant give out his note at six months without any expectation, or intention of paying, and without the ability of paying it: calculating that his credit will give circulation to the note, and enable him to raise money from it, this, it is evident, is not only creating fictitious capital, but it is perpetrating a fraud. If a Bank, or trust company issue notes or bonds, merely upon the calculation that its credit will give these paper promises circulation; and without the ability, or intention of paying these obligations, this also is not only creating fictitious capital; but it is as much a fraud, as any that an individual can be guilty of, in obtaining money on false pretences. And if a government issue its promises to pay, without any intention of redeeming these promises, this also must be a fraudulent transaction: while these promises remain unredeemed. Whether bearing the name of assignats or exchequer bills, or government bonds, or treasury notes, they are all as much fictitious capital, as the promises of the merchant, who gives out a note, which he cannot, and never intends to pay.

Such being the nature of fictitious capital, it is easy to perceive how suddenly it may be increased; and how subject it must be, both to increase and to decrease, and consequently how directly it must produce a corresponding fluctuation in *prices*. If in a community possessing a real capital of one hundred millions of dollars, there be one hundred millions of fictitious capital added and mixed up with the real; the property belonging to this community, being precisely the same; the prices must be doubled, or doubled on an average, some articles more and some less. But the whole property being still the same, it is evident that the representative of real capital has depreciated in value by being mixed with fictitious capital, producing the difference in price.* In other words, the currency has depreciated, what is called currency, being the money denomination by which

* A silver dollar, for example, is a representative of so much *real* capital, being the product of a certain amount of labor which can hardly vary; or which varies very slowly, and almost insensibly; depending on the facility of working the mines, of purifying the metal, of coining and bringing the coin into market.

If in a place where the paper currency has depreciated one half, a laborer desposite one hundred silver dollars in a Bank, which pays out only paper, the laborer's representative of real capital, immediately loses one half of its value, and even without going to this extreme, if in consequence of excessive issues of Bank paper, (the Banks still paying specie,) property of various kinds, so rise in price that it requires a dollar and a half to purchase what a dollar did before, the silver dollar will represent only two thirds of what it did previously. This depreciation of the representative of real capital arising, as we may say, merely from the circumstance of its being found in so much bad company. The consequence of the first of these suppositions must be, that the laborer will not again put his silver money into the Bank: so, from the moment a Bank stops paying out specie, specie will no more go in to it. Under the second supposition, the silver dollar will go to other places, and countries where there is not so much of this bad company, and where it will be able to command its due proportion of real capital: so, whenever paper money is too abundant, the precious metals will disappear, being better treated where there is less depreciation of the currency.

property is estimated; two hundred millions of capital, representing now no more property than one hundred millions did before; the dollar therefore is only half of what it was. If the creation of fictitious capital be continued, the currency will continue to depreciate; if this creation be from time to time checked, and again increased, the currency will fluctuate.

The increase of prices, benefits comparatively a very small number of persons. Those who are large holders of property: the small holders are next benefited, and so in proportion; but the laboring man and those who depend upon their daily, or weekly earnings, gain nothing by the rise in price; on the contrary they are obliged to pay more for their food and clothing, and shelter, while it is a long time before the depreciation of the representative of capital or of currency raises the price of labor. It scarcely indeed does so, before a reaction takes place. When prices again fall, the large holder of property procured on credit is ruined; the consequences of his ruin falls upon those who have trusted him; this again brings ruin upon others; and by the time the laboring man, and the mechanic can purchase their food and clothing on better terms, this general ruin checks the demand for labor, and the rate of wages falls more than the prices of the commodities, for which the laborer has so much need.

We see then, that in every point of view, while it is desirable to bring into active employment all the real capital to be commanded; whether that real capital be in the hands of owners, or borrowers; it is equally desirable that the creation of *fictitious* capital should be discountenanced and prevented.

The point we have now to ascertain, is, in what way real capital can be most brought into activity, without incuring the danger of bringing fictitious capital along with it.

SECTION III.

Utility of Banks in collecting and bringing into use real Capital, by their Stocks, their Deposites, and their Circulation.

When we speak of capital, we are apt to think only of large amounts of property, in the hands of single individuals, or in the possession of certain institutions; and it then appears to us, as if all anxiety about the employment of capital, resulted from a disposition to make the *rich richer*. But this property in the hands of wealthy individuals, or of moneyed institutions, as they are called, is but a part, and comparatively but a small part, of the capital of a country like that of the United States; and it is just that part about which there is the least occasion for anxiety; as wherever money is collected together in *masses*, under the direction of men of wealth, there is no fear but that it will be fully employed; and in such cases it may be safely left to itself.

The capital of a country, however, comprehends all the money that is in every one's pocket, and all the property that is in every one's possession. The poorest day laborer, who has a dollar more than is necessary for his immediate wants, has just this portion of the capital of the whole country. The shop keeper, who has ten dollars in his drawer more than he has immediate occasion for, has just so much spare capital unemployed; and the old lady, whose whole property consists of twenty dollars in silver change, laid up in an old stocking, is a capitalist to this amount, as

well as the old gentleman whose hundreds of thousands may be invested in the stocks, and in real estate, and whose spare thousands may for weeks remain to his credit on the books of the bank.

Suppose in a country where there are no Banks, ten millions of persons keeping their money in gold and silver by them; including the larger sums which they would be disposed to lend out, if they had opportunity—other sums which they cannot lend out, because, although not wanted immediately, they will be wanted in a few days or weeks—and smaller sums, wanted from day to day for the ordinary purposes of life. Suppose that each of these persons had, in this way, upon an average, fifty dollars in hard money—some indeed having nothing, others having several hundreds: many having but from one to ten dollars each—others twenty, fifty, or one hundred, &c. These ten millions of persons, with fifty dollars each, would together furnish an available capital of five hundred millions of dollars; and this *real* capital, too, being in hard money, and the savings of labor; and yet this whole five hundred millions of dollars distributed, as it is, in small sums amongst so many millions of persons, is unemployed and unproductive. Some cannot employ their money, although amounting to hundreds of dollars, because they do not know how, or because they are afraid to invest it; with others, the amount they have is too small, or the time it will remain with them too short, to make it an object to employ it. Now, although these ten millions of persons may each of them think it of very little consequence whether their small savings, and money wanted from day to day, be improved or not, it is clear that there is here an immense amount of *real* capital, capable of being safely and profitably employed by thousands even of these very ten millions of persons, who need capital to enable them to operate to advantage in their respective branches of industry. To bring such capital as this into active use, is one of the designs of what is called the *Banking System*, such as it is in this country—a purpose as conducive to the general prosperity, as it is beneficial to the multitude of individuals needing the assistance to be afforded them by these means. Without Banks, in the case supposed, this amount of five hundred millions of dollars remains dormant or idle, affording an instance of so much *loss of power*. With Banks, this amount is brought into active operation, millions of families are provided for, and the prosperity of the country promoted; that is, promoted, provided the system be not carried to an extreme, producing an artificial state of things—an extreme only to be avoided by confining the system to its proper purpose, that of the employment of REAL CAPITAL.

From what has been already stated, it will readily appear that the proper and lawful design of a Bank, is not to create capital where none exists—which, in fact, would be creating only what is fictitious—but to bring into use the capital otherwise remaining idle, and to call in such as may be wanted in the neighborhood of the Bank, from other places where it is not wanted. If Banks do more than this, if they attempt to CREATE capital, they go beyond the limit of their business; they abuse the power committed to them, and become the means of doing injury, instead of doing good. For this error, however, the Banking System, properly conducted, is not answerable. The reproach falls upon the individuals who conduct the business improperly. Since, however, amongst the conductors of Banks, there must, and always will be, persons of every variety of character and circumstance, the desirable object is, not to abolish the Banking System, but to furnish it with such checks and regulations, as may be re-

quisite to prevent abuse of power, and to remedy errors of judgment on the part of any of those engaged in the management of these institutions.

A Bank gives activity to capital, by lending out its money to those who employ this money in business. Here there are two parties benefited: the party concerned in the Bank, by receiving interest on the money lent —and the party borrowing, by the profit made, over and above the interest required for the use of the money.

There are three means by which a Bank obtains the money thus lent:

1st. The sums contributed by subscribers, or stockholders, constituting what is called its *capital stock.*

2d. The sums left in the Bank at different times, partly for safety, and partly for the convenience of those to whom they belong, which sums are called its *deposites.*

3d. The smaller sums held in place of its own notes, or bills; each Bank note being, in effect, an order given by the Bank on *itself*, for so much money which it has received, and which is to be returned when called for: that is, whenever the note, or order, is presented.

The *capital stock* is made up partly by those who have large sums to contribute, and who accordingly take a large number of shares; and partly by those who have only small sums to contribute, and who take but few shares. To accommodate more especially this latter class, Bank shares are usually from twenty-five to fifty dollars each.

The larger stockholders, as they are called, are generally persons out of the way of business themselves, or having more money than they want to employ in business. They would be always ready to lend their money without the aid of a Bank, if they could be satisfied with the security offered; but from the mere circumstance of being out of business, many of them do not know so well whom to trust, and they are timid and cautious in proportion, as the sums they have to lend, are the savings of a long period of industry. They prefer, therefore, putting their money into the capital of a Bank, to be lent out by the directors—these directors knowing best to whom money may be lent with safety; and in case of any bad debt, the loss being distributed in proportion amongst a large number of stockholders, instead of falling, as it might otherwise do, upon a single individual. In addition to this, where there is no Bank, the borrower and the lender cannot always meet each other at the right time. The man who has money to lend, may keep it idle on this account for weeks, or months; while he who wishes to borrow it, does not know to whom to apply, or where to look for it. Here both parties lose: the holder of money loses his interest for so much time, and the business man loses the opportunity of making the profit he would have earned beyond the interest on the amount borrowed.

This is still more the case with small stockholders. Those possessing one, two, three or four hundred dollars. Without a Bank they would know still less to whom to lend with safety; they would be still less likely to meet the *trust worthy* borrower at the right moment; while this borrower of one thousand, or perhaps two thousand dollars, would find it still more difficult to collect the amount from several different individuals. He would neither know where to look for them, nor would they know his credit sufficiently if they met with him. Such must be the case especially with numbers of widows and orphans, whose property is now invested in bank stock. These small sums would frequently be idle, or be left in unsafe hands, if they, or their agents, were obliged to wait till the

right person came along to borrow them. Besides this, the owner of the small sum has the advantage, in a Bank, of joining that small amount to a much larger one, and thus not only lends it when it might otherwise remain idle, but he obtains also for his small loan the same security as that which is given for the large one.

Here then we see by the institution of a Bank, a variety of capitals, some larger and some smaller, collected together in a common reservoir, a public depot where all who need capital may make application for it. A Bank being a common place of meeting, where the money of the lenders goes to meet the wants of the borrowers, although the borrower and the lender are entirely unknown to each other. By this arrangement, too, the lender's money is not suffered to remain idle; it is no sooner returned by one borrower, than it is taken by another. Thus accommodating every one, affording interest to one party, and profit to another; with the advantage, too, of a *mutual assurance* amongst the stockholders, to provide against the risk of loss.

Nor is it merely from the immediate neighborhood of a Bank, that these various large and small capitals may be collected. Persons in New York may want to borrow more than could be lent them by citizens of New York or of its vicinity; but there may be others at a distance, who have their larger and their smaller sums to lend. Such lenders, indeed, cannot tell who they may trust with safety in New York, but they can place their money in the stock of a New York Bank, and it will then be lent out on the same security as that upon which the money of New Yorkers is lent. Thus capitals are brought into one state from neighboring states, to form Bank capital where it is most needed; and thus not only the wealthy banker of Europe and Asia may invest his thousands, but the manufacturer also, or mechanic, of England, France, or Germany, and even of Turkey, and China, may invest his one, two, or five hundred dollars, in the bank stocks of different sections of the United States. Capital naturally flows from places where it is least wanted, to those where it is most wanted, provided there be no want of confidence, either in the liberty or security which it is to meet with. The small capitalist of England, or France, placing his surplus with the large capitalists of London, or Paris, and the latter in turn transfering his surplus to the moneyed institutions of the United States; the rich banker of Europe acting as a supply engine to procure funds for the wants of this country, leaving it to our own Banks to distribute this supply where it is most called for.

We see, then, that Banks by means of their stockholders, collect a variety of large and small capitals, from their own neighborhood, and from distant places; by which operation, both the owners of these capitals, and the borrowers of them from the Banks, are mutually benefited, and the power of so much capital is saved, which would otherwise be in a great measure lost.

Let us now see in what manner the *deposites* of a Bank are the means of bringing capital into employment, which might otherwise remain idle.

Almost every member of a commercial community, has from time to time sums of money on hand, to be paid out at some future period, or which he expects will soon be called for. These sums may vary from fifty, or one hundred dollars, to tens of thousands; the holder of the money may not be the owner of it; he cannot purchase any thing with it, and cannot venture to lend it out, or he may want it to-morrow, or next day, or next week. With all such persons it must be a great convenience to

place these sums in a Bank ; where the amount, great or small, will be safe, and whence it may be drawn out at any time, at a moment's notice. Deposited in a Bank, these various sums form a fund of which the Bank can make use, by lending out a certain portion of it. The amount in ordinary times, being about the same every day; for if one depositor draw out money, another pays it in. As we may suppose, in a town where there is but one Bank, unless money be sent out of the town ; the man who pays money, and the man who receives it, both keep their accounts in the same Bank, so that although one may draw, and another deposite, in any given day, the whole amount of deposites remains the same. In cities where there are several Banks, it is not precisely the same, but experience shows what the average amount of deposites usually is, and what proportion of it the directors may venture to lend. Some idea may be formed of the importance of these deposites, from the fact, that in 1834, by a return made to Congress, the deposites in about four hundred Banks, amounted to seventy-five millions of dollars. In 1840, the amount in six hundred and sixty Banks, was nearly the same. In 1836 and 1837, it was much greater, but whether more or less, if these deposites, instead of being in the Banks, had remained distributed in every person's house, office, or store, the whole amount would have been so much idle capital ; whereas, in the Banks it became available capital, to be lent out to those who needed it. In the one case, it is so much *power* lost, in the other, it is so much power employed.

To make the matter plainer, we may suppose, that in the United States, there are one million of persons, having each, on an average, fifty dollars, to be paid away amongst themselves in a day or two. Neither of these persons can use his money, because he is to have it for so short a time ; but as every one deposites his money in the Banks, there is altogether in these Banks fifty millions of dollars, which fifty millions, the Banks themselves can lend ; because what one draws out, another puts in. By this contrivance an immense amount of capital is placed in such a situation that it can be actively employed ; while at the same time millions of persons are accommodated by the safety and convenience of the arrangement ; and thousands are enabled to borrow the amount they need, which otherwise could not be obtained : and at the same time, the Bank, by receiving the interest on the proportion of its loans made from these deposites, is enabled to defray its own expenses, or at least partly enabled to do so.

The capital thus obtained, too, is the same *real* capital as it would have been, had it remained in the owner's trunk, strong box, or safe ; for the circumstance of depositing it in the Bank, instead of keeping it in a house cannot make any difference as to the nature of the capital. The case supposed, being merely that of having Banks, where every man's money may be placed for safe keeping and convenience.

The third means by which a Bank gives employment to capital, otherwise in an unproductive state, is the *circulation of its own bills*. Besides the sums of money of sufficient consequence to be lent out, or to be invested in stocks, or to be deposited in Banks for safety and convenience, there are, as is well known, multitudes of smaller sums, constituting what is called spending money, and pocket money ; sums also kept in tills of the shop keeper, or in the trunk of the mechanic. Sums of one, two, three, five, ten, twenty, and even fifty dollars, many of these sums are continually passing from hand to hand, and form what is commonly understood by the

circulation of the country. The small sum laid up by the laborer, to pay his quarter's, or monthly rent, is part of this circulation; and so is the dollar paid by the house keeper to the butcher, even while it is passing from hand to hand in the market; so is every sum large or small, paid by one person to another, while it is in the act of changing hands.

Where there are no Bank notes, or no Bank notes sufficiently small, to supply the circulation, all these sums, or all these small sums, must be kept in gold and silver, and consequently must absorb, or take up so much of the real capital of the nation; which cannot be applied to any other purpose, because it is wanted for these daily payments. If there be no Bank bills to be had less than twenty dollars, all sums smaller than this amount, must be kept in hard money; if none less than ten dollars, all smaller than this must remain in hard money. Suppose, in a country of ten millions of inhabitants, each person on an average, to have five dollars in this way, some may have none, some may have much more; but at this rate, there will be fifty millions of dollars real capital, taken out of the trading capital of the country, for the purposes of circulation; and thus kept as it were idle, so far as interest, or profit is concerned. As if a person had one hundred dollars in his pocket, which he might use to advantage were it his own; but as it is not, he says, "I have this money, it is true, but I cannot use it because I have to pay it away to-morrow, or next day." So it is with these fifty millions of dollars circulation, it is all money that is wanted to be paid away to-morrow, or next day, and therefore cannot be used for other purposes.

Now suppose a sufficient number of Banks to be established amongst these ten millions of persons; each of them goes to the Bank in his neighborhood, leaves there his one, two, three, five, ten or twenty dollars in hard money, and takes out the small bills of the Bank in exchange. These bills answer all the purposes of circulation; to which the hard money was before applied, while the whole of these fifty millions of dollars becomes so much available capital, to be lent out by these Banks, to those who need it, affording an interest to the Bank, and a profit to the borrowers. This too, is *real* capital, not *fictitious*, for the ten dollars in the laborers hands, in hard money, was *real* capital, before he went to the Bank with it, and that hard money is now in the Bank. The Bank bills given to the laborer in exchange, being simply so many orders of the Bank on itself, for the same amount in hard money, whenever called for. These orders pass from hand to hand, with more safety and convenience than specie, while the hard money they represent, is left in the institution to be used for the purposes of trade.

The smaller the bills issued by the Banks, the less capital will be withdrawn from circulation, and the more capital the Banks will have to lend out. If there be no Bank bills less than five dollars, all the small sums under this denomination will be withdrawn from trade; and perhaps the want of small bills is more sensibly felt than larger ones in proportion, as their multitude must far exceed the others. Whether more or less, however, whatever may be the amount of hard money required for circulation, it is so much *real* capital withdrawn from trade, and not yielding the interest and profit of which it is capable; consequently it is so much *power lost*. Parts or portions of a dollar in hard money, we know from experience are indispensable,* here therefore, of two evils, we must

* In addition to this we may remark, that the *fractional parts* of a dollar form

choose the least; but the same experience teaches us that a paper dollar, provided there be no ground for want of confidence in it, is as convenient for the purposes of circulation as a silver one. It is therefore, an important consideration that every *hard* dollar in circulation, capable of being represented by a *Bank bill*, carries with it the loss of so much interest and profit, which might have been saved to the country. On the other hand, as capital doubles in amount, by the ordinary process of interest alone, in the course of ten or twelve years, we may form some idea of the immense advantage accruing to the United Sates, for example, by the invention of paper money circulation, even with all the abuses to which it has been subjected.

SECTION IV.

Tendency of Banking operations to expansion, and to the creation of fictitious capital.

We have now seen in what manner a Bank, or any number of Banks, may be the means of bringing into use, in three different ways, that *real capital*, which for want of such institutions might remain unemployed and unprofitable.

We say *real* capital, for to this their operations should be confined; and it is important to keep this distinction continually in mind.

If the subscribers to a Bank, instead of contributing the amount of their shares in hard money, or something equivalent to hard money, and capable at any time of being exchanged for it, contribute only obligations of no value, and incapable of being exchanged for any amount of silver or gold, there is here no *real* capital. If the depositors of a Bank, place in it only pieces of paper or orders, never to be complied with, because there is nothing to meet them, then there is no *real* capital here. If those who obtain the bills of a Bank, give nothing in return, but promises never to be fulfilled, there is here also no real capital. Either of these operations would be fraudulent, and it is hardly possible to suppose a case, in which all three of these frauds might prove to have been perpetrated. Such an institution could hardly exist a day, but even if it did, the Banking System in the proper sense of the term, could no more be reproached with an abuse of this kind, than the East India islands could be taken to task for the wooden nutmegs said to be sometimes disposed of for real spices.

The above is an extreme case, there may be others in which more or less of these kinds of frauds has been practiced, either intentionally or in effect.

Cases of intentional fraud may be rare, but as far as the creation of fictitious capital is concerned, the operation is the same, whatever the intention may have been.

In some cases, the *capital* of a Bank may be partly real, and partly, and perhaps, almost entirely fictitious. It may have been made up of the promissory notes of individuals, who believed themselves able to pay, but who may have been deceived in the estimate of their own ability; or it may have been made up of mortgages on property, supposed to have been

sums so small, that individuals receive them without sufficient caution, and are not sufficiently vigilant in detecting and punishing impositions. The public therefore cannot countenance these fractional issues, without giving encouragement to fraudulent attempts on the currency.

of sufficient value to cover such mortgages, when perhaps this property has been previously incumbered with other mortgages equal to its full value. Such a bank may go into operation, it may receive deposites, and issue its bills in exchange for good notes, and with its deposites, and the notes paid in it may meet its bills for a time: but having no real capital of its own, it will be embarrassed as soon as its bills come in before the notes, for which they were given out come due; and this especially, if its depositors, at the same time draw out a large part of their funds.

A Bank with real capital, may have its *deposites* partly real and partly fictitious; that is, they may be composed partly of specie, and bills of other sound Banks, and partly of bills of Banks unable to pay their notes. When this is the case, its own bills so far as they represent a portion of these deposites, represent only fictitious capital, and the Bank becomes embarrassed, or looses heavily as soon as it is required to pay out good money in return for the fictitious capital previously received on deposit.

Again, a Bank with real capital, and good deposites, may give out its bills in exchange for promissory notes, at first to be esteemed good, but eventually proving to be of no value, when this is the case, every bill put into circulation, in exchange for such notes, represents only so much *fictitious* capital. Suppose that a Bank lend out the whole of its capital, deposites, and circulation in exchange for promissory notes of persons more or less unable to pay. Just in proportion, as these persons are unable to pay their notes, the issues of the Bank at first apparently representing real capital, will eventually represent only fictitious capital.

A Bank then must not only be sound, and go into operation with good faith in the first instance, but it must also be kept in this condition. Such an institution, conducted in the ordinary way, without supposing the intention of fraud, could not give out all its *real* means at once, in exchange for something fictitious; but there is always a tendency to this disasterous result, and the greater the number of Banks, the greater this tendency. To wait till this extreme of evil is reached, must be folly. The longer the tendency in view, is left unchecked, the more difficult it will be to provide a remedy; and as the tendency is continually acting, the remedy, whatever it be, must be in continual operation.

Banks being supposed to have money at all times to lend, there is a continual pressure upon them, by those who want money, and generally those press hardest, who are to be trusted with most caution. At other times Banks have money to lend, when there is little call for it. The directors are desirous of making some interest for the Bank, out of its funds, and this desire, leads them perhaps to place the amount on the security of the stocks of other incorporated institutions, with the real situation of which they are unacquainted. A period comes when money again is called for, and it is then found that these stocks cannot be exchanged for money, and the amount lent on them, or a great part of them, proves to be only fictitious capital. Not only this, when the Bank is called upon to pay specie for its bills, it must go back to the notes, and securities upon which it has been lending. If these prove to be worthless, or partially so, the stockholders suffer the loss. If these proceedings continue but a short time the evil may not be material; but if there be no check; if these loans have been made as if pay-day never were to come; the stockholder loses his all, and even the deposites and circulation are in danger.

Protection therefore against the creation of fictitious capital is as ne-

cessary for the interests of every shareholder of a Bank, as it is for the public welfare.

The protection of every Bank against the insolvency of its customers, is to be found only in a constant trial of their ability to pay. It is impossible for the directors and officers of a Bank, to know with *certainty* the circumstances of those to whom they lend money; or the degree of confidence to be attached to the securities they offer. It is only by *testing* the abilities of their debtors, and by *testing* the availability of their securities, that the Bank can have confidence in them. This is too unpleasant a task, to be readily undertaken by officers and directors. Hence the necessity of some arrangement in the Banking System, making it absolutely necessary for every Bank to be on the watch, that it does not trust any one *too far*, or *too long*. If a bank try the solvency of its borrowers, and test the nature of their securities, every thirty or sixty days, a tolerable dedegree of information may be obtained of its own real situation; but if this trial be procrastinated for six or eight months, the information required, will often come too late; and still more so if the experiment of this test be further postponed.

The tendency in the management of all Banking Institutions, is to procrastinate in this matter; and experience teaches us, that unless they themselves are tried, they will not try those upon whom they depend for their own solvency. If Banks be not subject to a continual test, their customers will not be so; and just in proportion to the want of this test will be the creation of fictitious capital. On the other hand, if Banking Institutions are confined to their lawful and proper business; if in pursuing this business, they are so subject to have their own solvency tried at all times, and at any time, that they must unavoidably make as continual a trial of the solvency of their customers; then, whatever may be their number, there will be no danger of the creation of fictitious capital. The customer will not give out his note, without having real capital to which he may resort for the payment of it; and the Bank will not give out its bills without having the notes of customers representing real property, upon which it may fall back to meet its own engagements.

This kind of rigor may appear odious, but it is necessary—necessary for the security of the stockholders—necessary for the protection of the bill holders—necessary to protect the fair dealer upon real capital from the competition of the unfair dealer upon fictitious capital—necessary to secure the community against the gradual creation of an artificial value in all kinds of property,—eventually resulting in a period of public distress and ruin; necessary to bring into activity all the real capital to be commanded by a judicious use of Banking Institutions, without involving the disasterous consequences of an abuse of them.

The lawful and proper business of a Bank, is simply to lend out the real capital collected together by its stock, its deposities, and its circulation. It cannot even use all its deposites with safety; nor the whole of its circulation; but it may use such part of each, as experience shows, will not probably be called for—out of the interest on the monies thus lent, the expenses of the Bank must be paid. The interest received on the amount of deposites and circulation loaned out, often doing little more than paying the expenses of the Bank, the dividends to the shareholders frequently do not exceed the legal rate of interest; enormous profits of Banking business, properly so called, being entirely out of the question. The large stockholder, perhaps receiving no more interest, than if he had

lent out his money himself; the principle advantage being, with the small share-holder, who, but for the bank, might not have been able to lend his money with safety at all.

Where the number of Banks is not sufficient, the real capital to be commanded will not be all taken up; many who might use it to advantage, will not be able to procure it, and many who have it unemployed, will not obtain an interest for it. Where there are too many Banks, the deposits and circulation will be so much divided, that the interest derived from the lending of these, will not be sufficient to pay the expenses; and the stockholders may not be able to obtain so good an income with a Bank, as they could do without it. In either of these cases, the evil will correct itself. Where spare capital is unemployed, there will be a desire to establish more Banks; and where Bank stock does not afford sufficient dividend, this desire will cease. Such, at least, is the case where all banks are restricted to their proper limits, and their proper business; and where they are judiciously conducted, and confined to the employment of real capital only.

But Banks are often got up, not so much for the benefit of the stockholders, as for that of their officers and directors. The officers are in want of places and salaries, and their friends do what they can to serve them. The directors want the opportunity of influencing Bank favors for themselves and others. Hence more Banks are frequently established than the circumstances of the community require. When this is the case, the proper business of banking is not sufficient to afford a satisfactory dividend to the stockholders. Here, then, commences the inducement for an institution to go out of its proper sphere, and engage in other operations besides those of lending its bank funds. Large stock loans are made, speculations in stocks are entered into, and money is borrowed on one stock to lend on another, with the view of making a small per centage on a large transaction, in order to compensate for the want of income from a more regular banking business. In this manner, uncommon profits may occasionally be made; and undue encouragement may occasionally be given to the establishment of a greater number of Banks than are wanted. But these large transactions are frequently attended with heavy losses, and their result usually shows that speculative operations are not to be entered into, in any way, by banking institutions; the interest of stockholders being generally sacrificed, to promote the private views and interests of designing or imprudent individuals possessing a certain influence in the management of a Bank.

Bank officers and directors, although generally chosen, as we may suppose, for their integrity of character, must have the failings of men. They may be influenced not only by a regard for their own interest, but by a regard for the interests and opinions of others. The officers must please the directors, for on these they depend for their appointments and salaries. They must be popular, too, with the customers of the Bank; or their want of popularity may be a ground of their removal. The directors must oblige each other. They must literally *do as they would be done by*. Their time, too, may be short; this year they have the opportunity of serving themselves and their friends—next year the management may be in other hands. They receive no other compensation for their services, than the Bank facilities they may control; and they have, besides their friends, their customers in business whose means they wish to increase, and whose credits it is their desire to sustain. As a general rule, therefore, without imply-

ing any censure, we may lay it down as a point beyond dispute, that the disposition of every board of direction, as a whole, is to accommodate every one as far as possible; to enlarge the issues of the Bank; to increase its circulation; and even, as it were, unwittingly to lend on security less and less undoubted. Every Bank, for example, desires to multiply the number of its depositors; and depositors will not keep their accounts at a Bank where they cannot borrow as much as they think themselves entitled to, or as much as they may obtain at some other Bank. Hence, where there is more than one Bank, when business appears profitable, and capital is wanted, there is a competition in lending, which arises from the general competition for depositors. On the other hand, when times are less favorable, prices are falling, and failures are apprehended, every influence is employed to help the weak, in order that the weak may be enabled to pay the debts daily coming due, and to enable others to hold their property without sacrificing, till prices again improve.

It is easy to see that, under such circumstances, unless a Bank be daily in apprehension of some immediate and certain call, to test its own ability, there will be a disposition to lend more and more; and to do this on security not always of the safest character. What is true of one Bank, in this respect, is equally true of all; and what is further peculiar to the case, is that, although Banks in the neighborhood of each other, are competitiors in business, it is alike the interest of all to accommodate each other—to show to each other the same kind of indulgence shown by each to its several customers. Suppose in a community of twenty Banks, each to have extended itself in the manner adverted to, till each feels an anxiety with regard to the solvency of a large part of its debtors. If one of the twenty be suddenly and urgently pressed by the others to pay its bills in hard money, this Bank must stop its usual accommodations; it must fall back upon its customers, and call in its loans. Suppose these customers, thus suddenly tried, to stop payment; they not only owe their own Bank, but they owe other Banks, and the customers of other Banks; and these customers of the other Banks, being disappointed in their collections, stop payment in consequence of the stoppage of the others. The nineteen Banks then very soon find that they are making bad debts themselves, by what may have been their effort to test the strength of another institution. It thus becomes unavoidably the interest of the twenty Banks to sustain each other; and this so much the more, as they may have all committed the same error. Not one of them, therefore, would willingly be the instrument of causing a shock to the credit of the community, in the consequences of which they must all materially suffer.

The operation will be the same, if instead of twenty Banks, there be five hundred. It behooves them all to be alike indulgent to each other: and most so, when the state of credit is most critical. Thus, as the tendency of each and every Bank is to expand, so the policy of all banks must be to countenance and sustain each other in this expansion. While, then, we perceive that something is necessary continually to test the credit and solvency of each Bank and its customers, we must equally perceive that this test is not to be expected from the voluntary action of the several Banks on each other; and that especially in periods when it is most required.

In the preceding cases, we have supposed only honest intentions on the part of all Bank officers and directors. If we go further, and suspect bad intentions in any of them, it is clear that, in proportion to the want of honesty and honor amongst those who possess so great a degree of power,

the evils described must be so much the greater: and the check required, so much the more indispensable.

From a slight knowledge of mankind, we are easily led to believe that in the community of a single state, where there are forty or fifty Banks, there may be some individuals amongst their conductors, not sufficiently under the restraint of moral and honorable principles. There may be some, even, disposed to create fictitious securities, in order, on the strength of them, to procure available funds from the Banks under their direction; and there may be others disposed to turn off, upon their own institutions, securities in their own hands, already known to be worthless; and thus save themselves from loss, by sacrificing interests which, as *trustees*, they were bound in honor to protect. If some such instances may occur amongst the forty or fifty Banks of a single state, how much more must there be a probability of like occurrences, where there are several hundreds of these establishments, spread over a territory of thousands of miles in extent?

SECTION V.

Operation of Bank Expansion upon the Currency.

Having noticed the tendency to expansion, in the management of Banking Institutions, and the consequent increase in amount of Bank notes in circulation, let us now attend to the effect of these particulars upon the value of the Bank notes themselves, or upon what is called the paper currency of the country.

Wherever Banks are established, most of the money, in sums of fifty or one hundred dollars and upwards, not wanted for immediate use, is deposited in a Bank, as a matter of safety and convenience. In addition to this, almost every one having a promissory note of another person, instead of waiting till the note is paid, and then depositing the money in the Bank, places the note itself in the Bank, either for the purpose of discount or of collection. Thus a very large part of the money paid in such a community, is paid into the Banks. Here, then, are two modes in which the Banks get possession alternately of the Bank bills in circulation—by deposits, and by the payment of promissory notes.

The shopkeeper and the mechanic collect their small sums together, till they get sufficient to make a deposit, or to pay a note. In these collected sums, they have the bills of a variety of Banks. Accordingly, where there are a number of Banks in good repute, one Bank receives in deposit, or in payment of notes, the bills of several other Banks; Bank A, receiving the bills of Banks B, C, D, E, &c., and the other Banks receive the bills of Bank A. Each Bank enjoying the benefit of the interest derived from the circulation of its bills, while they are in possession of the other Banks, as much as if they were in the pockets of those to whom the money was originally lent.

If, however, Bank A, receive more of the bills of Bank B, than B receives of A's bills, the balance of the advantage on this item, is against A, and if A continue to receive and retain more of the bills of each of the other Banks, than they have of A's bills, these last may be comparatively crowded out of circulation; in which case, Bank A loses the interest on that portion of circulation upon which it depends for paying the expenses of the institution; A's bills being in time all brought in, while it continues

to hold the bills of other Banks, from the circulation of which they reap the benefit. Hence, independent of any want of confidence, it becomes the interest of each Bank, to balance its accounts with the other Banks—A, sending back B's bills, and receiving its own in exchange, and requiring the difference, if any, to be paid in specie; and so with the others. Thus, as a mere matter of interest, the Banks, as far as practicable, check each other; and this of course, much more, where there is a want of confidence.

This check, however, dictated by interest and prudence, is not always practicable. Where there are a number of Banks in the immediate vicinity of each other, it may not be necessary for each to call upon the other for its balance in specie, because what B may owe A, C may again owe B, and A may owe C; so that by passing checks, or orders, one on the other, the difference may be finally adjusted, with a very small payment in hard money.

If all the Banks, too, be within a convenient distance of each other, as they are in cities, this balancing of accounts is very easily performed, and may be effected every day. Then, daily checking each other, neither will go to any great excess in its issues, unless circumstances are such as to induce all of them to adopt a system of indulgence; in which case, they may all exceed their proper limits, charging each other interest on balances instead of requiring immediate payment. But in proportion as Banks are at a greater distance from each other, more time is required, and more risk and expense incured, in effecting these exchanges.

If city Banks receive the bills of distant country Banks, whether they effect this exchange themselves, or whether they do it through a person who applies himself to this kind of business, they must suffer a degree of loss in proportion to the time, risk and expense, already spoken of. As soon, then, as the city Banks find that this loss is as great, or greater, than the gain of interest made by the transactions proposed, they will refuse to receive these bills. The parties having them, are then obliged to get them exchanged by paying something equal to the loss of time, risk and expense, alluded to. Here, then, commences the difference between the value of the bills of distant Banks, and those of the city Banks. The process is the same with regard to the bills of the Banks of different states. The Banks of one state cannot take those of a distant state, if the loss of time, risk and expense, required to exchange them, be so great as to counterbalance the interest it derives from making loans.

The difference in the value of Bank bills, whether between those of the city and country, or between those of one state and of another state, must depend upon a variety of circumstances. The distance, the means of communication, the reputation of the distant Bank, and the opportunity there may be of using its bills at any intermediate point. In some cases, Banks may take the bills of distant institutions at a lower rate. They may collect, as it is called, on other places; but the result is the same; they must make as much difference in the rate, as it will cost them to effect the exchange; taking the time and risk, as well as the actual expense, into view. In general, a dealer in bills, or money changer, will be able to effect the exchange, to a limited extent, better than a State Bank; as his whole attention is applied to the business, he may have his agencies at certain points, and one dealer may collect for several institutions, and individuals at the same time, which will make the expense fall so much lighter on the whole. Whether the difference, however, be charged by the Bank, or by a dealer in Bank bills, it constitutes what is called the

rate of exchange; and whatever it may be, it is always less than it would cost individuals, if every person undertook to effect the exchange of his own money.

Suppose, for example, a mechanic to receive one hundred dollars in bills of distant Banks—a dealer in these bills may exchange them for *one per cent.*, which is one dollar only; whereas if the mechanic undertake to effect the same exchange himself, he must leave his work, he must pay his travelling expenses, he must lose the interest of the money till it is exchanged, and he must incur the risk of losing it on the way. If, then, he have to pay this money into the Bank, his best and only course is to pay the difference of exchange. So it is with every dealer or trader. Whatever may be said of the loss by exchange, it is, even in the best times, the unavoidable consequence of the distance and difficulty of communication between Banks of different cities or states; and the loss of time, risk and expense, attendant on effecting these exchanges. The dealers, who devote themselves to the business of exchanging paper money, as far as they are able, perform a benefit to the community, and in some measure mitigate the evil; the point of enquiry, however, is whether this evil may not be still more mitigated, and a still better remedy provided.

We have now seen that Banks, under the most favorable circumstances, cannot receive the bills of distant institutions, when the loss incident to exchanging them would be too great; and that they cannot retain these bills without losing the benefit of their own circulation. The operation being the same as that of a man's paying all his own notes, without calling upon others to pay the notes which he holds of theirs. Consequently, however fairly and judiciously Banks may be conducted, a difference of exchange—in other words, a comparative depreciation in the value of Bank bills—must exist; and this in proportion to the difficulties of communication between the several institutions from which these bills originate.

Let us now suppose that some Banks are not so well conducted as others, or rather as they should be. Some of them, for instance, cause their bills to be circulated in distant parts of the country, purposely, that a considerable period of time may elapse before they can be brought back to their own Bank for specie. Some of them lend their money on doubtful security, perhaps on condition that they shall be thus circulated. Some venture to issue more of their bills in loans than it is prudent for them to give out; some are on the verge of insolvency, and some are actually unable to pay the notes they have out, and would be obliged to stop payment if a large claim were at any time to be made upon them. The real circumstances of such Banks are rarely known. In some cases secrecy is purposely observed: in others there may be a difficulty of obtaining intelligence, on account of the distance, or other circumstances. In some cases public suspicions may go beyond the truth; in others it may hardly anticipate the evil sufficiently. In all these cases, however, the hazard of dealing in the bills is increased, or supposed to be increased. Even sound institutions suffer in their reputation, in consequence of the mismanagement of others. Here, then, want of confidence comes in to add to the difference of exchange, or depreciation of value arising from natural causes.

There is, therefore, ample foundation for a considerable difference between the value of the bills even of Banks of the same state, where all the institutions are under the same state government, and where the greatest distance between any of them does not exceed two or three hundred

miles. How much greater must be this depreciation where the comparative value of the bills of Banks of twenty-six different states, under distinct governments, subject to different regulations, and some of them 1500 or 2000 miles apart from the others.

How much greater must be the difficulty here, in effecting frequent exchanges; in bringing home to each Bank the excess of its bills in circulation; and of judging of all the uncertainties attending the exchanging of its paper. If the difference between the value of the bills of different banks, and between the circumstances of different sections of the country, were always the same, the inconvenience would not be so great. But so long as the exchange of bills cannot be effected rapidly, there must be a corresponding *uncertainty* as to what may take place, between the time when a bill is received, and the time when it may be exchanged for specie, or the value of specie. This is the case even in cash transactions; how much more must it be so where sales are effected on credit. A merchant in the city of New York, selling to a merchant in Buffalo, at six months' credit, not merely taking the risk of the difference between Buffalo money and city money at the time of sale, but also the risk of what it may be six months afterwards; and another selling to a merchant in Georgia or Alabama, whatever the loss in exchange may be at the time, hazarding the still greater depreciation to be apprehended when his sale becomes due.

We see, then, that in proportion to the relative excess in the expansion of Bank issues, from the moment that one Bank cannot take the bills of another Bank, there will be a corresponding difference of exchange, and a comparative depreciation of currency.

SECTION VI.

Effects of a Depreciation of the Currency.

Having noticed the causes unavoidably producing a difference, or depreciation in the comparative value of Bank bills, let us now observe upon whom, and upon what, the consequence of such depreciation falls.

Whatever be the cost of exchanging money, it must eventually be paid by the *consumer*. He has to pay at last for the loss of time, the expense, the actual hazard, and the supposed hazard, or apprehension of hazard, incured in all the money transactions connected with the purchase of the goods he consumes. The New York merchant, in selling to the Buffalo or Alabama merchant, must sell at a price sufficient to cover all the loss he incurs, or is apprehensive of incuring, from the depreciation of the money he receives, or is to reeeive, in payment for his merchandise. Or, if the Buffalo or Alabama merchant pay for his purchases in hard money, he must be compensated for the same cost and hazard. If the danger apprehended be not so great as was supposed, the intermediate trader, having taken the risk, may gain by it; but the consumer has to pay not only for the real, but for the supposed, hazard. The consumer, in fine, sustains the burthen of all want of confidence, as well as every other charge, intervening between the producer of the goods and himself. At the same time, the seller of goods, and even the money changer, may lose more than he anticipates. If a depreciated currency be stationary, the evil is not so great, but all must suffer inconvenience from the instability

of a continually depreciating currency; and this inconvenience must at last be paid for in the price of every article of necessity, comfort or luxury.

Add to this, in what may be called the *home circulation*, the mechanic, farmer, and laborer, suffer most from this depreciation of Bank paper. Wherever a difference in the value of Bank bills exist, there will be two currencies; one that of bankable money, as it is called, and the other of that which is not bankable. The latter, as we well know, although not receivable at the Bank, will be applied to almost all other payments: that is, within a certain limit of depreciation. In many cases, the best Bank bills will be exchanged for those of an inferior character, expressly for the purpose of paying debts not due to a Bank. As a general practice, we find that, whenever the bills of distant solvent Banks can be procured at a cheaper rate than the bills of nearer Banks, the worst bills, or what we call the out of town bills, will take the place of the best bills; and will generally be used in payment of the laboring classes. The shop-keeper, the butcher, and the baker, can compensate themselves for the loss on these bills, by adding to the price of what they sell; but the laborer cannot raise the price of his day's work, to meet the depreciation of the paper dollar with which he is paid; although he experiences the effect of this depreciation in the price of every article of food or clothing of which he stands in need. While, then, the whole body of the community have an interest, as consumers, in maintaining the stability and uniformity of the currency, the laboring classes have a double interest in attaining the same object.

There being, under the circumstances supposed, two kinds of money in circulation—one which the Banks will receive, and one which they will not receive—it follows, that all of the description not so received, will remain in the pockets, trunks or drawers, of those to whom it belongs, as so much *idle capital.* It will be, in this respect, with regard to this kind of money, as if there were no Banks. The amount of deposits in the Banks will be so much less, and so much power in capital will be lost. Hence, the greater the abundance of money in circulation not bankable, the greater may be the complaints of the scarcity of money in trade: and hence an interest which every community has in equalizing the currency. For if all money be bankable, all except what is wanted for daily use, will be deposited; and the greater the amount of bank deposits, the more money these institutions will have to lend out, and the more real capital will be brought into activity.

The circulation, therefore, of bills of distant Banks, in any city or town where these bills cannot be taken by the Banks of that place, diminishes its trading capital in two ways: First, by depriving these Banks of such a proportion of their means as might be derived from the circulation of their own bills; and secondly, by reducing the average amount of their deposits. It may be said, indeed, that all Banks may take the same liberty; that the Banks of the East may circulate their bills at the West, and those of the West do the same at the East; and so with the Banks of the North and South. But this mutual invasion of each other's territory, as far as deposits are concerned, increases the mischief, as it places in each district so much *undepositable* money, in the place of that which might have been deposited. And these efforts at *distant circulation* are always of the scheming order, and especially to be discountenanced; they are indications of weakness, and grounds of distrust; they must result in a depreciation of

the bills circulated, and in augmenting that instability of the currency against which it is so desirable to provide. Any arrangement, then, tending to keep the bills of all Banking Institutions within their respestive vicinities, must, in its operation, be most unquestionably equitable, and best calculated to promote and to secure the convenience and prosperity of the public. Such an arrangement gives to each institution all its just rights and privileges, while it guaranties to those well and properly conducted, the benefit to be derived from that public confidence to which they are entitled.

Such being the consequences of a depreciated paper currency, as far as the general welfare is effected by them, particularly in their bearing upon the consumer, and upon the laboring classes, and upon the amount of available capital—let us now look at the operation of such a state of the currency, in the collection of the *public revenue*.

We have seen the tendency to increase, in the issues of all bank paper, if unchecked, even when the banks themselves are well conducted, and still more when they are badly managed. We have seen the unavoidable difference in the value of bank bills, arising from the loss of time, expense, and hazard incident to exchanging them, and we have seen how much this difference may be increased by any knowledge, or suspicion, of mismanagement on the part of those who conduct these corporations; not only, too, suspicions of what may have occured, but apprehensions of what may occur at some future period.

From what has been stated, it is evident that in an extensive country, like that of the United States, with twenty-six independent state governments, the circumstances occasioning a difference in the comparative value of bank bills, may vary essentially in different sections, and in different states. The rate of depreciation in bills of these sections and states, of course will vary according to these circumstances; especially as in those sections of the country in which capital is most wanted, there will be the greatest tendency to excessive issues, and of course less of this tendency in sections where capital is more abundant. Accordingly, in one section, the bank paper dollar may be equal to a hard dollar; in another it may not be equal to more than ninety-five, ninety-six or ninety-seven cents hard money. In other sections, it may be as low as ninety cents; and if we suppose the banking business of any particular section to be very loosely conducted, the bills of that part of the country may not be worth more than seventy-five or eighty cents in specie.

Now suppose one citizen imports goods in a section of the country where the bank bills are equal to specie. He pays duties on these goods at the rate of one hundred cents the dollar, hard money. Suppose another to import the same goods in a district where the paper money is only equal to ninety-five or ninety cents hard money. Here, this last citizen pays five or ten per cent. less duty than the other. So, if one purchase public lands, to pay, as in the first case, bank bills equal to specie, and another, in another state, pay for his lands in bills worth only ninety cents in specie, the citizen of one state would not pay so much for the public lands, as the citizen of another. In these cases, although the duty, and price, be nominally the same, the citizens of different sections actually pay different rates. One indeed may be able, for this reason alone, to sell the same kind of goods, or the same lands, at a profit, when another could not do it without loss. This mode of collecting the revenue, it is evident, is unequal and unfair. Not only so; it is expressly in vio-

lation of a provision of the national constitution, which requires that "all duties, imports, and excises, shall be uniform throughout the United States."

The unavoidable tendency, then, of the issues of all State Banks, throughout the Union, if unchecked, is to produce unequal values of bank paper, in different sections of the country; and the unavoidable consequence of these unequal values, must be, that the public burthens, if payment be collected in bank bills, will not be uniform throughout the several states.

It follows, then, that the national government must either collect all its dues in *hard* money, or else it must establish *some institution*, by the operation of which all the issues of the various State Banks will be so checked, that their bills in every section of the country will be of the same value—that is, will be always at the par of specie, or within a very small fraction of it.

If there be no such institution, as the provision of the constitution, as well as the plain principles of equity, cannot be violated. The government must collect its dues in *hard* money, or the full value thereof. It cannot receive bills of Banks not worth one hundred cents to the dollar in specie, for the reason already given, nor, if this reason were set aside, could it receive depreciated paper money, and suffer the country to lose the difference between the value of that paper, and that of gold or silver. If it receive its dues in specie, or the full value thereof, it must also pay out specie or the value thereof. The consequence must be then, that, if all the receipts and payments of the government be in specie, there will be so much less amount of Bank bills in circulation, at least in all those portions of the country where these bills are not equal to the par of hard money. Thence results a loss to the country of so much *power in capital.*

We have seen that every dollar of Bank money represents, or should represent a hard dollar, which is left in the Bank in lieu of it, and that this hard dollar is so much capital which the Bank has the faculty of lending out for the purposes of trade. Of course every *paper* dollar received, and paid by the government, saves the use of a hard dollar, the same as in the transactions of individuals. If the whole amount of the money received and paid by the government, be in Bank bills, then the use of this amount in hard money is saved, leaving it in the possession of the Banks, to be lent out as capital.

If on the contrary, the government resort to a system of receipts and payments, in hard money only, it withdraws from circulation, an amount of Bank bills equal to the average amount of these receipts and payments as they are continually going on, requiring from the Banks the same amount in specie: perhaps several millions of dollars. But whether more or less, in the mode described, crippling the Banks, at the moment of the withdrawal, and so long as the system continues, depriving the country of the use of the capital to be derived from what may be called the *government portion of the circulation:* a disadvantage, too, suffered most in those sections where the want of capital is most experienced.

This is not all, as the dues of government cannot be collected in Bank bills on account of their depreciation, so neither can they be mixed, after collection, with this kind of money. The government agents cannot deposit hard money in a bank, and take out bills of less value than the hard money, without actually conniving at a fraud. Hence, in those sections where every Bank dollar is not worth its face in specie, the money of

government would be kept separate from the money of the Banks. The Banks then can no longer enjoy any advantage from government deposits; and consequently the country loses all that *power in capital*, to be derived from the use of these deposits, when, through a Bank, or Banks, they are lent for the purposes of trade.

We have seen that the various sums deposited by individuals, in the Banks, constitute an average amount, to be applied by the Banks on their own responsibility, to the wants of borrowers. So the average amount of public deposits, if in Bank, constitute a capital of some millions, in like manner, to be discounted upon for the benefit of the trading community, the whole capital of the Bank being held responsible to the government for the amount thus loaned.

Suppose all the individuals of any given section of the country, to withdraw their deposits from the Banks, we may easily conceive how much the power of those Banks to aid their customers, must be diminished. The operation will be the same if the government, instead of leaving its money in a way to be loaned out, lock it up in safes and vaults in specie, such, however, must be the unavoidable consequence of the depreciation of bank bills, and of the instability of a paper currency. Wherever these exist, the revenue cannot be fairly and safely collected and preserved, without an entire separation of the public moneys from those employed in the ordinary transactions of business.

Nor will this precaution be confined to the money operations of government alone. No one will put a quantity of silver and gold into a Bank to receive in return bills, not capable of commanding an equal quantity of hard money. When bank bills are considerably below par, every individual, as we have noticed in speaking of two currencies, keeps his silver and gold in his own possession, withdrawing so much *real* capital from the purposes of trade. In other words, silver and gold, as is well known, is hoarded and secreted in proportion as public confidence in bank paper is shaken.

On the same principle, in a country where the currency is unstable and depreciated no foreign capital will remain. The merchant or banker of Europe, dare not allow his money to remain in America in dollars and cents *of account*, if he fear that the dollar of to-morrow will not be worth so much as the dollar of to-day. He may send his goods here to be sold, but he will not allow the amount to remain, he gets it home as soon as he can. He can leave nothing in American money that is, represented by Bank money: for he says, "the currency of that country is growing worse and worse."

Even the American merchant himself feels the panic. He will not keep his capital at home, in any thing represented by the currency of his own country. So long as the Bank currency around him is depreciating, and continually depreciating, he places his funds elsewhere, if it be only for safe keeping.

Thus, with loss of confidence in bank paper, real capital takes flight in all directions; and the evil is continually augmenting itself.

To supply the absence of real capital, fictitious capital is created. Banks, in some instances, borrow that which is real, but they give their own doubtful obligations in exchange; and the evil consequences of the fiction is thus shifted from one shoulder to another. In other instances, they may borrow, as they say, *only the credit* of the state, in exchange for the same kind of obligations; but the citizens find when it is too late, that they

must furnish, in the shape of taxes, the real capital which the State has obliged itself to give away in payment for the fictitious capital thus imposed upon it.

Here, then are the consequences of an unstable and depreciated state of Bank currency. The consumer suffers in the increased price of every article he purchases. The laboring classes suffer yet more by their inability to raise the price of labor, in proportion to the rise in price of articles of consumption. The revenue must be collected and preserved in *hard money*, causing a *loss of power* in the use of the capital to be drawn from government deposits and government circulation. Private citizens withdraw their hard money from the Banks, and consequently from the purposes of trade. Foreigners also withdraw their capital from the country, and even the capitalist at home, places his funds abroad for safe keeping. Fictitious capital is substituted for real. State credit is brought in to sustain this fictitious capital; and the citizen at last is obliged to furnish in the shape of *taxes*, the real capital, for which, this State credit has been pledged in exchange for what eventually proves itself valueless.*

PART SECOND.

THE REMEDY.

SECTION I.

Advantages of a National Bank.

We have now had before us the use, and the abuse, of what is commonly called the Banking System of the United States. That is, the operation of the Banks of the several states, without any reference to their connection with a national institution.

On the one hand, we have the important advantages derived from the immense amount of real capital, brought into activity through the instrumentality of the stocks, the deposits, and the circulation of the local or

* To this we may add the effect of fictitious capital upon the demand for labor. If A can create fifty dollars worth of fictitious capital, answering his purpose as well as so much real capital, without employing labor, he will do it. Hence, the more easily such capital is created, the less *labor* may be in request. Hence too, an increase of prices, arising from a depreciation in the currency, may be attended with a diminution in the demand for laborers, and want of employment may be most felt by the industrious classes, at the very moment when speculation is most rife amongst those who have the command of fictitious means. Pay day too must come, A will have his notes to pay; or if he escape, the fictitious capital he has passed into other hands, must at last be tested; when perhaps parties entirely innocent will suffer from his imprudence. So, in a country where fifty, or one hundred millions of fictitious capital has been created, pay day must at last come. The *test* will be applied to every thing bearing the name of capital, and millions of individuals may then suffer the effects of that collapse in the price of every article which brings it back to its original *labor value*.

State Banks: on the other hand, we have the evils of a depreciated and unstable currency, resulting from the unrestricted and irregular issues of these Banks.

Are we to reject the advantages on account of the evils with which they are attended, or, shall we find a remedy for these evils, and retain all the advantages? The latter course is certainly the dictate of common sense, nor is it a difficult course to be pursued.

The evils in question, arising as we have seen, altogether from unrestricted and irregular issues of Bank paper, nothing more, evidently, is requisite than the establishment of an institution by the operation of which throughout the country, these issues must necessarily be restricted and regulated. Such an institution is a NATIONAL BANK. A National Bank, in the common acceptation of the term. That is, a Bank of discount and deposit, chartered by the National Government, with *branches* in the several states. Such a Bank in fine, as those of which the country has already experienced the benefit at different times, for more than forty years of its political existence.

Experience already warrants the assertion, that this is the *remedy* required: but in order to be better satisfied on this point, let us examine into the nature and tendency of its operations.

1st. A National Bank of discount, by confining each of the local Banks to its proper specie paying limit, preserves to the country the usefulness of these institutions: while it provides against the introduction of *fictitious* capital; and checks that tendency to extravagant issues, which is the cause of depreciation and instability in a paper currency.

2d. A National Bank, operating through its branches, diminishes the time, risk, and expense, incident to exchanges of Bank paper, and to the transmission of funds from one portion of the country to another: thus reducing the rate of exchange between distant States to the lowest possible point.

3d. A National Bank, furnishing the government with a suitable treasury agent, for the receipt, disbursement, and safe keeping of the public moneys, provides *by its whole capital*, for the security of these funds; without depriving the community of the trading capital to be derived from a judicious use of the government deposits, and of the government portion of the circulation; and without affording room for the exercise of favoritism, or corrupt influence, on the part of any public officers.

4th. A National Bank, by the privileges of its charter, and by the confidence it affords in the general stability of our Banking System, allures real capital from abroad, and brings it from its lurking places at home: directly, through its own stock; and indirectly, through the stocks of other moneyed institutions: at the same time preventing that withdrawal of such capital from the country, which must otherwise result from apprehensions of a continued depreciation of the currency.

5th. A National Bank, by restoring the Bank paper of the several states to a specie basis,—by equalizing the exchanges,—by providing a safe treasury agent,—and by precluding the necessity of introducing fictitious in the place of real capital, must render any *separation* of the public moneys from those of the community unnecessary; while it enables the government to collect its dues in all sections of the country in the same currency, without resorting to *hard money* requisitions;—so far providing, in the safest and most beneficial manner, for the equalization of the public burthens, in conformity to the *express provision of the constitution* to that effect.

SECTION II.

Its operation upon the Local Banks.

A National Bank of discount operates upon the currency, in proportion to the magnitude of its transactions, by paying out in the first instance its own sound currency, whether paper, or specie, and requiring in return all its dues to be paid either in specie or in bills of other Banks equal to specie. If the Banks have but little to loan out, it must have little to receive back, and of course the effect of its operations must be small. If the Bank act merely as an agent in collecting the public moneys, its influence on the currency will be no more than that of the collectors of customs, or other government agents, in its place. The result would simply be, that public dues must be paid in specie, as an exception to the general rule; while all other transactions of the community would be effected in the ordinary currency. The government may do as much as this without the intervention of a Bank: and even more readily, as it may enforce its own regulations. But whatever regulations the Bank may adopt, beyond its agency for the government, it must make it the interest of its customers to observe them.

The Bank for example, lends out its sound currency upon express condition, that the amount shall be repaid in like sound currency. No one is obliged to borrow on these conditions, but if he does borrow, he will conform to them, because it is his interest to do so. The Bank will not receive deposits except in specie, or Bank bills equal to specie; it cannot oblige persons to make deposits, but those who do this, do it because it is their interest to conform to the regulation. No one complains of the regulation however. It is perfectly fair. We may suppose there are two currencies in the country, the sound, and the unsound. The Bank determines to deal only in the first, and requires that what it receives should be equal to what it gives out; and engages that what it gives out shall be equal to what it receives. The only question then with a customer is, whether it is his interest to deal with the institution on these terms.

The Bank has money to lend, and like all other Banks, it lends in preference to those, who make deposits with it,—that is, its depositors or customers, and, as with all other banks, those who keep the best account, or have the largest average amount of deposits in Bank have the best chance as borrowers. It becomes the interest then of all, who have occasion to borrow money, to conform to the regulation of the Bank, and to keep as good an account with it in specie, or in specie bills, as they can.

Suppose such a Bank as this to be in a city where the other Banks do not pay specie for their bills. No one who has specie will deposit it in these Banks. He has hitherto kept it in his house, or in some secret place; now he deposits it in the new Bank, the bills of which he takes out when he wants the money, instead of specie. All the specie coming in from different quarters, takes its place also in the same way in the new Bank. There are certain persons who expect to have bonds to pay who will require a loan from the Bank to help them. These persons open an account at the Bank, others look forward to loans soon to be required for different purposes. Each one withdraws his money from Banks which do not pay their bills in specie, obtains the silver and gold at some loss,

and deposits the amount in the new Bank. He determines at the same time to have as little to do with the paper of the old Bank as he can. There are now fairly two paper currencies in the place. But the new Bank has money to lend, while the others have none. The new currency is therefore more and more sought after; while the old is more and more brought back to the Banks to which it belongs. The old Banks then finding their deposits withdrawn, their circulation returning upon them, and their business closing of itself, become obliged, if able, to resume specie payment. If entirely unable, they close their concern. If they resume specie payments, their bills will be taken by the National Bank as other specie bills. As soon as this is the case, they will again circulate as specie, and, confidence in the Bank returning, deposits will again make their appearance.

It is evident that, in order to accomplish so much, a National Bank, or any of its branches, must be a Bank of discount; and it must discount promissory notes, as well as bills of exchange; for no one will keep an account with a Bank where the notes he has to offer cannot be discounted. If the Bank deal only in bills of exchange, its operations will have no effect upon the currency of the place, even in name, the difference between specie bills, and those not commanding specie, being blended with the different rates of exchange on other places. The paper money of the place will still circulate in all payments except those made for government account, and which are required in specie. Some small improvement perhaps may take place from the sound currency given out by the Bank in exchange for drafts on other places; but its action in restoring the currency, being just in proportion to the amount which it loans out, and receives back, the greater its ability and disposition to discount, the sooner a sound currency will take entire place of the unsound.

We have already noticed that in a region of country where none of the Banks pay specie, there must be two currencies, one of hard money, and the other of depreciated paper. If in this region a National Bank of discount, or the branch of such a Bank be established, from that moment there will be two paper currencies in the place: one equal to specie and unchangeable, the other depreciated and depreciating. In the first, the community will have confidence; in the last, they will have none. The continual effort of sellers therefore will be to make their contracts payable in the first currency. For this, a corresponding difference in price will be made, and all new promissory notes, acceptances, &c., will be made payable at the Bank or Banks paying specie. In addition to which a sound paper currency being provided in the place, and the law being on the side of specie payments, those who are able to pay, will have no pretence for offering depreciated paper, on the ground that nothing better is to be procured. From this time, the character of the currency in this region is restored, a few bills of suspended Banks may be in circulation, but the difference between these, and those payable in specie, will be so great that their number must be daily less and less. The reputed currency of the place will now be that of Bank paper equal to specie.

This effect being produced by the loans, more especially of a National Bank of discount, it is evident that in order that the same effect may be brought about throughout all the United States, there must be a similar Bank or branch of a similar Bank in each of the states in the union. In states where all the Banks pay specie, the presence of such a Branch may not be needed for the restoration of the currency in that quarter; but

in any of those states, or sections where the Banks do not pay specie, without such a Bank or branch, the currency will remain depreciated, although in all others where there are branches it may be restored. It is easy to suppose that Banks, having suspended specie payments, but still deriving a profit from the circulation of their bills, may oppose the establishment of a National Branch in their quarter. They will oppose it for the very reason, that it will introduce a currency better than their own; and we may suppose these Banks to have sufficient influence with their respective legislatures to prevent the reception of such a Branch into the state, if its establishment be optional with the state. It follows therefore that a National Bank, in order to bring about a uniform restoration of the currency throughout the country, must not only be a Bank of discount with branches, but it must have *power to establish branches* in different states, wherever the presence of such a Bank may be requisite for the end in view. Without the power of discounting, the Bank cannot act effectually upon the currency: without branches it cannot act in different quarters of the country; and without the power to establish branches wherever the state of the currency may require it, the restoration of that which is most depreciated may be prevented, and the great object of establishing a uniform currency defeated.

If on the one hand, some Banks, too far gone to be resuscitated, find the operation of a National Bank inconvenient, by its tending to bring their affairs to a close; on the other hand, many Banks, less embarassed, may find a relief where they least expected it. Some of the local Banks have become crippled in their means, by lending their money either to their own states, or upon state securities. We may suppose these loans to be eventually good, but the money cannot be called in so as to enable these Banks to apply it to the payment of their own notes. Here we may suppose a National Bank, with a new and ample capital, and with its peculiar resources, capable and disposed to furnish precisely such assistance as the case requires. That is, it lends to these Banks on their own credit, together with the security of the same State Stocks, a sufficient amount in specie, or its equivalent to enable each of them to meet its bills in gold and silver, and thus to do at once, what otherwise it might not be able to accomplish in many years.

We may now consider the currency restored, and suppose a community in which all the Banks pay specie for their bills. How do the operations of a National Bank confine the other Banks to their proper specie paying limits, so that they may not place themselves in the position of being obliged again to suspend payment?

We have noticed the dispositions of all Banks to extend themselves, unless there be some obstacle to prevent it. We have seen, too, in what manner a number of Banks, within a convenient distance of each other may check each others circulation; and we have seen that under these circumstances no Bank can go beyond its proper limit, without the indulgence of others. Of course it is only by an agreement for mutual accommodation that all these Banks, within a given vicinity, can allow themselves any such indulgence. We have seen how such an agreement may originate, each institution being fearful of pressing its neighbor, and of thus bringing about a general pressure, affecting its own debtors; jeopardizing the safety of its own loans, as well as endangering the individual interests of its own directors or conductors. Hence the disposition amongst the Banks of any single state, to sustain each other in a system of postponing

the payment of their bills in hard money. The creditor Banks being satisfied by receiving interest on their balances from the debtor Banks. In such a state of things, there is but one obstacle to a suspension of specie payments, which is the penalty of a forfeiture of their charters. This penalty, however, is a matter of state regulation. If the Banks of the state be able to procure indulgence from their own state governments, they have nothing to fear from other quarters.

If Banks are embarrassed, it is because their debtors cannot pay them. If all the Banks of any particular state, or section, are obliged to suspend payment, it is because their debtors are so much embarrassed as to be unable to pay. We have only then to suppose the embarrassed debtors, of all the Banks of a state, to form a class sufficiently powerful and numerous, to influence a popular election, and we may be assured that their views will become the views of their representatives. These persons will desire indulgence for the Banks, in order that the Banks may indulge them, their will becomes the will of their representatives. The indulgence to the Banks is granted, and the only obstacle to a general suspension of payment on the part of these Banks is removed. A special law sanctions the measure, and its continuance becomes popular, because the number and influence of Bank debtors make it so.

How is it now with the Branch of a National Bank, under similar circumstances; supposing one to be established? Such a Branch receives daily the bills of the other Banks, as well as of its own, in payment of notes and drafts on deposit. The other Banks receive also the bills of the Branch in common with their own. Daily, or weekly, the Branch balances its accounts with the other Banks, and whatever difference there may be in its favor, the same must be paid in silver or gold. This proceeding, regular and inevitable as it must be, probably will prevent the state Banks, each from going beyond its respective limits, hence the question of indulgence as in the previous case, may never arise. But suppose all the Banks of this state, to have so extended themselves as to incline them to agree upon a plan of not calling upon each other for balances in specie. They apply to the Branch Bank to come into the measure. Here, whatever be the disposition of the directors and officers of this Branch, they cannot come in. They are merely directors of a Branch. They can only refer the matter to the Parent Board. The Branch has also its balances to settle with other Branches, and those other Branches have balances to settle with other state Banks. Beyond a certain limit of accommodation therefore the Branch cannot go. It must pursue its regular routine of paying specie for the notes of its own Bank; and requiring specie for the notes of all others; or, suppose the matter referred to the Parent Board, that Board cannot refuse specie payments itself, neither can it authorise one of its Branches to refuse such payments; still less can it authorise one of its Branches to receive the notes of other Banks, without calling on them for specie; while it continues to pay specie itself. The course of the National Bank, must be such as is adapted to uniform action throughout the whole of the twenty-six states. It cannot make an exception in one state, which would give that state a preference over others.

Here again these circumstances alone, may pevent matters from going further. The state Banks finding themselves obliged to pay specie, restrict their issues, make some unusual efforts to supply themselves with silver and gold, and save themselves before it is too late.

But suppose the general embarrassment to be so great amongst the debtors of the state Banks, and even of those of the Branch, that a suspension of specie payments is called for, by the popular voice of that whole section of country. This popular voice furnishing an assurance to the state Banks, that their charters will not be forfeited by suspension ; the argument avails nothing with the Branch Bank or with its Parent Board. The National Bank has another source of authority to look up to. It derives its power from the national government, and it must have the assurance that the majority of the representatives of twenty six different states, together with the executive magistrate for the time being, will authorise its refusing to pay its bills in hard money, before it can come into any measure of the kind, in any part of the country.

Such a case cannot be supposed. Nothing but the utmost punctuality in its payments can enable a National Bank to sustain itself, or to procure the protection of the national government at any time. Its very character and position exposes it to every possible accusation, to be grounded on any irregularity in its proceedings ; and such, it is desirable for the public good, should be the case.

A National Bank therefore, from its organization, from its accountability to the national government, and from its peculiar dependence upon a precise conformity to the provisions of its charter, must act as a check upon the operations of other Banks, in a way not to be compromised. This action too must be uniform throughout the country, because what we have predicated of one Branch, may be equally so of all, or of any of the others. If we suppose a Branch of the National Bank to be located in each of the twenty-six states, each Branch must operate in the manner supposed upon the local Banks in its neighborhood. No Branch can suspend payment itself, or admit of the suspension of other Banks dealing within it, without authority from the Parent Board ; and this Parent Board cannot deviate from the terms and conditions of its charter, without an act of Congress ; and such an act cannot be passed without at least, a majority of both houses of the National Legislature together with the consent of the President.

Here then we have, in the existence of a National Bank, both the means of restoring a depreciated currency, and two distinct and different guaranties for the maintainance of specie payments, on the part of the local Banks, where there was only one before.

SECTION III.

Operation of a National Bank upon the Domestic Exchanges.

Having reached a state of circumstances, in which all the Banks are supposed to pay specie for their bills, we come now to inquire in what manner the operations of a National Bank tend to reduce the difference in the rate of exchange, between distant states, to their lowest possible point.

Difference of exchange between different sections of the country, and difference in the value of bank notes of those sections, it must be remembered, are distinct subjects.

Where all Banks pay specie on demand for their paper, the bills of each Bank will be at par in its respective locality. Where two Banks, in the

same place, pay specie, there is no difference in the value of their bills; but if one Bank pay specie, and the other does not, there will be then a difference in proportion to the probability of obtaining an equivalent for the face of the bills of the suspending Bank. So where the Banks of one section of the country pay specie, and those of another section do not, there will be the same kind of difference in the value of the bills; but this is not a matter of *Exchange*, in the ordinary acceptation of the term.

The Banks in New Orleans, and the Banks in New York, may both pay specie, and yet there will be a difference in the rate of Exchange between the two places. In the ordinary transactions of business, this difference of Exchange, which, as we shall see, cannot exceed a certain rate, is not material, because the rate of Exchange is taken into consideration and forms part of the price in the sale and purchase of goods; but as the Constitution of the United States requires the payment of all dues to government to be the same in every part of the country, that the citizens of one state be not obliged to sustain any greater burthen than those of another, it is desirable, and it is even incumbent upon the administrators of government, to adopt such measures as will tend to reduce the difference of Exchange between different points, to the lowest possible rate. For this purpose, as experience has shown, nothing is so well calculated as the establishment of a National Bank of discount and deposit, with branches in every state.

The difference of Exchange in contemplation, arises, in the first place, from the difference in the wants of the community, in respect to funds, at different periods of the year; and in the second place, from the difficulty of transmitting these funds from the place where they are least wanted, to that where they are more wanted.

At certain seasons of the year, money is wanted in the city to procure supplies for the country; at other seasons, money is wanted in the country to pay for the produce sent to the city. So at one season, money is wanted at New Orleans to pay for the crops of cotton, sugar, tobacco, &c., collected at that place; at other seasons of the year, money is wanted at New York to pay for the supplies of clothing, household stuff, &c., sent to New Orleans for distribution over the south-western states. Funds cannot be kept in New York or New Orleans for a great part of the year, because they will be wanted at a certain period. This would occasion a loss of interest, and a loss of profit, much more important than any difference of Exchange, besides a great inconvenience to the parties interested. These funds, therefore, must go and come as they are called for. Here, then, is the first element of the difference of Exchange, and the main point is to enable these funds to go and come in the cheapest, safest, and most expeditious manner possible, which belongs to the next subject of consideration.

The rate of Exchange depends upon three distinct items: the expense, the risk, and the loss of time, incident to the transmission of funds from one place to another.

The transmission of merchandize is a matter of speculation, and must be confined to those who are acquainted with the trade. Bank bills, and bills of Exchange, being out of the question, we suppose the funds in contemplation to be transmitted in *specie*. Some kinds of specie, indeed, such as Spanish dollars, and doubloons, are often worth more in one place than they are in another, but this consideration also we set aside, belonging, as it does, to matters of merchandize.

We suppose, then, a merchant, or banker, in New York, wishing to place funds in New Orleans, in the cheapest and most sure manner. He sends the amount in American dollars, or eagles—silver or gold—of precisely the same value in both places. In doing this, the merchant incurs, in the first place, the expense of transportation :—

He pays for the freight from New York to New Orleans,	½ per cent.
He must next insure against the hazard of the sea, or take the risk himself.	
Here he pays a premium of another	½ "
Again, from the time he pays for his specie in New York, till it goes to his credit in New Orleans, he loses the interest, say for thirty days, which may be put down also as another	½ "
To these three certain items, may be added brokerages, commissions, and other incidental charges, equal to a further quarter or	½ "

Thus we have the expense, risk, and loss of time, incident to transmitting funds, in specie, from New York to New Orleans, equal to one and a half or two per cent.—which is the second element of Exchange, or that which regulates its rate.

We now suppose the person making the remittance, to go to a dealer in Exchange for a bill on New Orleans. The dealer, in effect, makes the same calculation and names his price, including the profit which he proposes to make in the transaction ; and taking into consideration the advantage he gains by having the money in New York while his bill is on the way to New Orleans, and while it is coming due after it gets there ; and on the other hand, considering the expense of commissions or agency, to which he may be subjected at the point upon which he draws.

Where the business of Exchanges is in the hands of private dealers, each having to support his own establishment upon the profit of this business, it is seldom that they can afford to sell their bills so low as barely to cover the expense of transmitting the amount in specie. In addition to this, they have rarely a large amount to draw for in different places, for if they kept such amounts lying in the hands of distant correspondents, or agents, besides other hazards, they might lose more interest on their money, than they gained by drawing and remitting. Such persons can go only to a certain extent, and when called upon to furnish bills beyond what they have actually to draw for, if they do it at all, it must be at such a rate as they think will certainly cover every expense, hazard, or loss of time, to which they may be subjected.

The same may be said of State Banks. If they undertake to operate as dealers in Exchange, they can only do it to a limited extent ; and if they employ agents, these agents must be paid. If they transmit specie, they pay the same charges as other dealers. If two or more banking establishments interchange drafts, each establishment must support itself ; and each gives only a limited credit to the other. The result being finally the same, that neither local Banks, nor individual dealers, can furnish bills, or will be disposed to furnish bills, at a less rate than will cover the freight, insurance, commissions, loss of time, &c., incident to the transportation of hard money—together with at least some profit, however small, on the transaction.

We will now suppose the existence of a National Bank of discount and deposit, with ample capital, and with the requisite number of branches.

So long as such a Bank is drawing interest for all its means, it is immaterial whether this interest be drawn by one Branch or another. Whatever the number of Branches, and however distant from each other they may be, there is, in fact, but one concern ; and for this reason also, there is the same confidence on the part of the Bank, in one Branch that there is in another. So that the objections of loss of interest and want of confidence, which might occur between distant individuals, or between distant local Banks, cannot occur here.

The Branches are established in different sections of the country, principally for the purpose of doing the business of the government, and of gaining interest by lending or discounting money. Whether the business of Exchanges, in any particular section, be a matter of importance or not, the Branch must be established there. The Exchange business being but a secondary and incidental object; consequently the expense of maintaining the establishment hardly enters into a calculation of the rate of Exchange. The Bank has the advantage of the public deposits. Its bills being receivable for public dues, all over the country, it has the advantage of an extended circulation, which affords also to the country a supply of a certain amount of currency every where at par. It is able, therefore, to conduct the business of Exchange on lower terms than any other establishment, for the same reason that a line of stage coaches, paid for carrying the public mail, can afford to take passengers and baggage cheaper than coaches depending for their maintenance upon the carriage of passengers only.

Then as to time, if, for example, the Branch at New Orleans have a surplus of funds arising from bills collected, sent out by the Branch in New York, that surplus may be lent out in New Orleans as well as at New York, being for account and benefit of the same institution and of the same stockholders. Or if the Branch in New York have a surplus arising from the bills remitted from New Orleans, the interest accruing in New York is for the same account. If the Branch at New Orleans be short of funds, in consequence of the amount remitted to New York, it may draw on some of the southern or western Branches. If the Branch at New York be short, or expect to be so, it may be supplied from some of the northern or eastern Branches. All of the Branches applying to the Parent Board, as to a common source of information, for direction as to the employment of their surpluses, or as to the supplying of their wants. In this way, each Branch can conveniently wait the course of trade, to receive back the funds it has parted with; while the whole country is accommodated, and no very pressing demand for Exchange or for specie, is made on any particular section.

When money is wanted, for example, in New Orleans, for the purchase of the southern crops, the Branch there may furnish the money, and take bills at sixty or ninety days sight, on the Branch in New York. By the time these bills are due, or soon afterwards, money may be wanted in New York, to purchase goods for New Orleans. The New York Branch then supplies the money, and takes bills on New Orleans. If these transactions occurred between independent establishments, or dealers in Exchange, each, from want of confidence, from fear of losing interest, or from desire of maintaining a high reputation for punctuality and precision, might feel obliged, however inconvenient, to transmit its balances in silver and gold, at the cost of so much expense, risk, and loss of time; causing, on all these occasions, a corresponding rise in the price of Exchange, or

an increased demand for specie. Whereas, in the case supposed of a National Bank, with Branches, the actual transmission of specie, in most instances, is saved, and the difference of Exchange, if any, is brought down to a mere fraction; the result of the combined action, or arbitration of Exchanges, in the arrangement of balances of different Branches of the Bank. The New York Branch, for instance, being in debt to the New Orleans Branch—the Baltimore Branch in debt to the New York Branch—the Branch at St. Louis in debt to the Branch at Baltimore—the Branch at Natchez to the Branch at St. Louis; the Natchez Bank may finally be called upon to pay the debt of the New York Branch, to that of New Orleans.

Here, then, we see in what manner, and for what reason, a National Bank is capable of reducing the various Exchanges of the country to their lowest possible rate; and certainly to a degree beyond that which can be effected through any other known instrumentality; although, in the nature of things, some trifling difference in the rate of Exchange, between distant sections of an extensive country, at certain periods, is unavoidable.

At the same time, the arrangement is most beneficial to the country, as the large resources of the Bank enable it to furnish funds, at different points, in anticipation of the crops coming in, or of goods about to be supplied; thereby equalizing the rates of Exchange throughout the year; or at least preventing that extreme fluctuation which must take place where the transmission of funds is confined altogether to particular seasons.

SECTION IV.

Operation of a National Bank as a Fiscal Agent.

Let us now consider the operation of a National Bank, in providing for the safety of the public moneys, without depriving the community of the advantage of capital to be derived from the use of those moneys,—either while in the public Treasury, or while in the process of circulation. We are to see, at the same time, how this object is obtained without allowing room for the exercise of favoritism towards any particular State or Bank, and without involving the exercise of government influence, either in assigning a place of deposit in the first instance, or in removing the public funds, and transfering the government agency, from one institution, or individual, to another.

We have seen, in the case of private Banks, that the deposits of individuals of their surplus funds in these Banks, is a placing in the way of active employment, of so much real capital otherwise remaining idle, and, for the time being, out of reach. The operation is the same, with regard to the public deposits. If the government keep its money in its own vaults or safes, in such a way as not to admit of its being used for purposes of trade, it is so much idle capital, occasioning the loss of so much power in capital to the nation; no one being benefited, either by the interest to be earned, or by the profits to be gained beyond the interest, from the loan of it.

Suppose the average amount of these deposits to be ten millions of dollars, scattered throughout the twenty-six states. Here is an annual loss, on ten millions of dollars, of interest and profit, which would have gone

into the pockets of the people of the country, and would have enriched the nation in the same degree. The wealth of the whole nation being made up of the riches, or property, more or less, of every individual citizen. Not only this: the unavoidable operation of the business of the various Branches of the Bank, is to bring this capital, at proper periods, into all those sections of the country where it is most wanted; like the waters of some ample reservoir, by a variety of conduits, seeking every where, and at all times, its proper level.

At the same time, this is without hazard to the public treasury, because the whole capital of the Bank is answerable for the use made of the public moneys, by each and all of its Branches. Suppose, for instance, the largest amount of the public funds at any time on hand, to be ten millions of dollars, and the capital stock of the Bank to be thirty or forty millions; here is a security for the public moneys, of three or four times the amount, in every event at hazard. We suppose, of course, the national government, in chartering a Bank, to prescribe an amount of capital amply sufficient to secure the public revenue.

There might be, it is true, the same active employment of this capital, if the same amount of deposits were divided amongst different State Banks, but the security to the country would not be equally good. Each Bank would then be answerable only for its own management of the amount committed to its charge. In some cases, the whole capital of such a Bank may not be equal to the amount of funds over which it may gain the control; and if a Bank furnish the additional security of individuals, besides the difficulty of realizing any thing from the prosecution of bonds in cases of delinquency, these individuals may be the very persons who borrow the money of the Bank, and if the Bank be delinquent, it is because these borrowers are delinquent; or they may be the large stockholders of the institution, whose own means depend upon the condition, and whose ability to respond, depends upon the solvency of the institution for which they become responsible. As a general rule, wealthy individuals will not become the bonds-men of a Bank, for the use of the public moneys, unless they themselves are to divide this use amongst them; in which case the Bank, and its security, are one and the same thing. Besides this, how difficult must it be for the officers of the Treasury department, at the seat of government, to judge correctly, either of the solidity of the local Banks, or of the individual security they offer, throughout all the States of the Union.

With a National Bank, on the contrary, the government looks to the whole capital for the security of every Branch, while it has, by charter, the right of inspection and examination, and, to a certain degree, of control, over all its proceedings, so far, at least, as may be necessary for the security of all the public funds committed to its charge. Such a provision, in the nature of the case, cannot exist in an equal degree, with State Banks. They may agree to submit to such an investigation, but this being but a voluntary act, can be depended upon only so long as it is not their interest to avoid a scrutiny; being, as they must be, independent of the national government, and depending only upon that of their respective states for the continuance of their existence or their privileges. A National Bank, on the contrary, is the creature of the national government. To that it is responsible, and on that it depends; and hence the peculiar security offered by its capital. Not only that its nominal amount shall be amply sufficient, but that Congress and the Executive have, at all times,

the right to be satisfied that this security is real, available, and undiminished.

But besides the difference of security, it is important, for the liberties of the country, that there be no room for making the use of the public moneys a source of government patronage.

The use of capital is a privilege equal to the grant of as much money as this capital may be supposed capable of yielding, by interest or profit, in the period during which its use is enjoyed. If the use of the public deposits be distributed amongst the different State Banks, at the will of those who administer the government, these persons will enjoy a power of patronage equal to the granting of so much money as the interest and profit to be derived from these deposits may be supposed to yield. If, for example, the sum of six hundred thousand dollars were placed at the disposition of the President of the United States, to distribute in donations to whom he pleased, every one would consider this a very dangerous power; and if the President has the power of distributing the use of ten millions of dollars, the simple interest of which alone for one year is six hundred thousand dollars, is not the power equally dangerous? How much more, then, when we consider the anticipations of profit, in which every one indulges, who has the proposed use of capital before him. The power to influence on the one hand, and the temptation to corruption on the other, being in proportion rather to the prospect, than to the certainty, of profit. Banks, as mere corporate bodies, it is true, are not the subjects of temptation; but it must be remembered that the public moneys distributed amongst Banks, at the pleasure of a public officer, are, in fact, distributed amongst the directors, customers, and stockholders, of those Banks, and it is upon these that the influence of this government patronage must unavoidably act.

If certain State Banks throughout the twenty-six United States, be selected by Congress as public agents, then the halls of the national legislature becomes scenes of intrigue and cabal, for the division of this description of *spoils;* and Senators and members of Congress will be elected according as this, or that, Bank makes the most efforts in favor of the member pledged to support its claims. If the selection be left to the President, or to the Treasury Department, which, in effect, must be the same thing, he will have so much pecuniary power put into his hands to enable him to secure his own re-election; and, if he aim at it, even to perpetuate his enjoyment of office. He will give the use of this public capital to such sections of the country, and to such Banks, and through them to such individuals—and transfer their use from one section to another, and from one Bank to another, or from one set of individuals to another—in such way as will best promote his own views: either in punishing those who do not gratify his wishes, or in rewarding, and even bribing, those most officious in promoting his designs.

In the case of a National Bank, on the other hand, there is no room for the process of favoritism here supposed. Such an institution is chartered expressly to receive and disburse the public moneys. The use of the public deposits, therefore, must be given to such a Bank by the act of incorporation, before it is known who the stockholders, directors, or officers, are to be. The stock is afterwards subscribed for, and sold, in open market; and the shareholders are under no obligation to the government, or to any member of the government, for the number of shares they obtain, nor for any benefit they afterwards receive from these shares. The privi-

leges of the Bank are fixed by law, and cannot be changed, except by law, so long as the institution complys with all the conditions of its charter. The officers, directors, and customers, are, therefore, entirely independent of the administrators of government, so far as any opportunity for favoritism or patronage is in question. The Bank receives the public deposits, because the government is pledged to place them with that institution; and they cannot be removed without a breach of public faith; still less can they be transferred from one place to another, or from one set of individuals to another, to answer any electioneering purpose. At least, such a violation of public decency must call down upon the offender an almost universal sentiment of reprobation: a burst of indignation which few candidates for public favor would venture to encounter.

If, instead of leaving the public moneys in the ordinary way of deposits in certain Banks, the officers of the Treasury receive from those Banks their own notes, or bills, or other paper obligations, and lock them up in vaults or safes, this amount, whatever it may be, is so much added to the circulation of those Banks, with the assurance that it will not be brought back upon them for a certain period. Here, then, is another opportunity for favoritism: for if those who administer the government, may choose what bank notes they will receive and lock up, and what they will refuse, they have the power of giving just so much use of capital to those Banks, and to those individuals, whom they wish to favor; to which dangerous influence, is to be added the hazard of so much bank paper, which may prove a partial, or total, loss to the Treasury.

The direction to a public officer, to keep the funds of government out of trade, and out of a Bank, will answer no purpose as security, unless he keep these funds absolutely in silver and gold, in a vault by themselves; for if such an officer, having five hundred thousand dollars of the public money on hand, keep the amount in certain Bank notes, of five, ten, twenty, or one hundred dollars each, he trusts that Bank just as much as if he took one bank note, or check, for the whole amount; in fact, just as much as if he allowed the Bank to pass the whole five hundred thousand dollars to his credit, with the bare understanding that it should be forthcoming when called for.

So in regard to what we have already termed the government portion of the circulation. We have seen that every dollar held by the people in paper, either in their shops or houses, or pockets, or as it may be passing from hand to hand, leaves a dollar of real capital in the Bank, which is capable of being loaned out and actively employed. The money put in circulation by the agents of the government, has the same faculty, in this respect, as that in the hands of private citizens. If then government officers, by employing certain Banks as their agents, put the bills of those Banks into circulation, and keep them so, in preference to the bills of other Banks, here is again an opportunity for government patronage, and another means of giving the use of a certain amount of capital to certain institutions, accompanied with the risk of the paper of these institutions, so long as it may be under the direction of such government officers.

This room for patronage, both in respect to the use of capital derived from the public deposits and from government circulation, can only be avoided (without a *National Bank*) by a hard money system; in which case, as we have seen, the whole use of this capital must be lost to the country.

With a National Bank, on the contrary, as in the case of the deposits—

so in that of the circulation—there can be no room for favoritism. The circulation obtained by a Bank, as an agent of government, is assigned to it before the stockholders or conductors are known. The shareholders receive the benefit of it, as a matter of law: a right for which they can be under no obligation to any department of government, and a privilege of which they have no reason to fear the privation. Here, there is no room for bribery, or corruption, or patronage; while the large capital of the Bank affords full security for the bills held, and the Bank itself assumes the hazard of the bills of all other institutions, passing through its agency for account of government. At the same time, the trading capital, afforded by the average amount of these deposits, and of this government circulation, through the instrumentality of the Branches of the Bank, is diffused over the whole country—is beneficially felt in every channel of trade—and affords to the general mass of national wealth, all that increased accumulation which its interest or profit is capable of yielding.

SECTION V..

Operation of a National Bank, in bringing forward a supply of Real Capital.

We are now to consider the advantage accruing to the country from the additional real capital brought, as we may say, *into market* through the agency of a National Bank, both at home, and from abroad; as well from subscriptions to its own stock, as from the confidence, its operations are calculated to inspire in the stability of other moneyed institutions.

We have supposed, throughout these remarks, the national institution required to be a Bank of *discount;* because, without the power of discounting both bills and notes in the common sense of the term, it can effect nothing of importance, either in restoring or regulating the currency. We have supposed also, its Capital Stock, to be ample, that the several Branches may discount largely and liberally, and even lend to some of the Local Banks on such undoubted security as they may be able to furnish; and also to afford to the country adequate security for the amount of public and private deposits, and its own issues. We must further suppose that the privileges offered by the charter are such as to induce capitalists, both of our own and of other countries, to invest their funds in the stock of the institution. For it is idle to suppose, that the mere passing of an act to incorporate a Bank, will bring forward the funds necessary to make up the capital; and perhaps the opposers of such an institution can adopt no surer method, for preventing its going into operation, than that of diminishing its priviliges, and restricting its operations.

Presuming the advantages offered by the charter of a National Bank to be such as to induce both American and foreign capitalists to invest their money in the stock, the benefit thence accruing to the country, is that of a greater competition in the business of lending money; enabling the borrower to obtain it more easily, and on better terms.

In all kinds of business, every man wishes to prevent others, as far as possible, from coming into competition with him. If there be but one person having a certain article to sell, he may ask what price he pleases. If there be two, or more, there is so much probability that one will sell lower than the other. The more persons there are to sell any given

article, and the more there is of it to be sold, the sooner it will reach its lowest possible price. Suppose a country where there is but one person, who sells grain, no other person's grain being allowed to come into the place; the people of this country must give whatever price this seller may ask. But suppose the law to be altered, and other farmers or dealers in the neighborhood to be allowed to bring in their grain: if these others be disposed to sell their grain lower, the price falls. This competition with traders of other districts brings down the price of wheat, and bread becomes so much cheaper. The first dealer, who lately sold at such high prices is very much vexed, no doubt, at the change; and supposing him to be a farmer, if he hired his farm, and cannot now give as much rent as he did before, his landlord is as much vexed as he is; but the people of the place have every reason to be satisfied, for the new competition having cheapened the article of bread, every one is able to live so much the better for it.

The operation is the same with capital. If there be but one person in a place, having money to lend, he will demand what rate of interest he pleases. If there be several persons to lend, some will sooner or later take less interest than others, rather than incur the risk of having their money lie idle. The more lenders of money there are, the lower must be the rate of interest.

Suppose a country where there is only a certain set of persons, and a certain number of institutions having the power to lend money. These lenders finding out by experience how much their capital is wanted, and knowing the certainty of lending it at a particular rate, may agree together not to lend below that rate. Some may demand more, but none will ask less, and so long as all that is to be lent, can be lent at the rate supposed, these lenders have no occasion to reduce their price. Now suppose an agent of a number of wealthy capitalists in a distant country, to come into this place with a large amount of money to lend, the owners of this money being willing to lend at a much lower rate than that which had previously been established. Here is a new competition in the business of lending money. The price of interest falls, and the use of capital is obtained much easier than it was before. The old lenders no doubt regret the change, they cry out against the introduction of *foreign capital*, but every one who has occasion to borrow money, rejoices at it. So long as the borrower procures his money easier, and at a lower rate, and can make so much the more profit out of it, what reason has he to regret that this money has been brought within his reach from distant parts? Shall a borrower refuse to make a profit on capital offered to him on loan because the interest to be paid for it, goes into the pocket of a foreigner? And why should a borrower be compelled to pay *seven per cent.* per annum, interest, to a countryman, when he can obtain the use of the same money, from a foreign lender for four or five per cent.

A National Bank of discount stands precisely in the position of the agent here supposed. Its peculiar advantages induce persons, both at home and abroad, to invest their money in its stock. Thus bringing in foreign capital from all directions, and introducing a competition in the business of lending money, which did not before exist. This competition is the very opposite of what is called a monopoly.

Monopoly consists in confining the enjoyment of any privilege to a limited number of persons or institutions. If all the business of banking in a state, be confined by law, to one hundred Banks, these one hundred

Banks enjoy a monopoly of the banking business. If, on the contrary, the business be thrown open to all; or all are admitted to the exercise of the privilege upon the same terms, there is no monopoly, for the competition is unrestricted. If the business of banking be confined in any country, as in the United States, to the State Banks alone, then these State Banks have a monopoly of it, but if a National Bank with its Branches come into competition with the state Banks, this monopoly is destroyed. So, if there were no Bank, or Banks, except the National, with its Branches, then this National Bank would enjoy a monopoly; but if the state Banks, come into competition with the National Bank, this circumstance destroys the monopoly. If in any state, acts of incorporation for Banks, are granted only to individuals of a certain party, then that party may be said to possess a monopoly of this corporation granting power; but if such charters be granted to all persons on equal terms, then there is no monopoly for the competition is free. The term Bank monopolies therefore, sometimes so inconsiderately used, is altogether inapplicable, except when there is a restriction on the competition in the business of banking. The operation of a National Bank, then, so far from being that of a monopoly, is an element of that competition in the business of lending money, without which, a Bank monopoly might be said in some degree to exist.

Through the agency of a National Bank, foreign capital comes into competition with domestic capital, and the price of interest is kept down if not reduced. The old money lenders, and the state Banks may regret this competition, but every one who borrows money, finds a benefit from it. True, a certain amount of interest, in the form of dividends, may be paid to foreigners; but the profit which is the compensation of industry, and enterprise, and the emolument of labor goes to enrich the country.

Foreigners lend their money, in the way supposed, merely because they cannot get so good an interest at home; and we use it, because it enables us to borrow cheaper and easier than we could do otherwise. Capital is more plenty, and the use of it is at a lower price in the old countries than it is with us, and it is sent to this country to be lent out here on the same principle that we send or would send our wheat and flour to Great Britain to be consumed there. Capital seeks employment as water seeks its level; and thus the rate of interest between old countries and new, is gradually equalized to the advantage of both. Not, perhaps, that the old countries are so much richer, but because their wealth is collected into larger masses, and held by fewer hands. It is more difficult for one person to find employment for two millions of dollars, than it is for twenty persons to employ the same amount profitably, if equally divided between them, or nearly so. Besides this, in the old countries, if the capital be more, the enterprise is less; the distance between the wealthy classes and the working classes is greater; and the capitalist and the operative are more estranged from each other.

A Bank of the United States, may be considered a kind of vehicle by which capital is brought to us from secret recesses, and from distant countries, to be employed or not at the hazard of those who send it. If we do not want it, we shall not borrow it, nor pay interest for it; and if we pay interest for it, it is because we find our advantage in borrowing it.

But it is not only through the instrumentality of its own stock, that a National Bank is the means of bringing capital *into the market*. We have seen that such an institution must operate on other moneyed institutions, so as to secure their soundness and stability, by regulating their issues,

and preventing a too great expansion of their engagements. In doing this, confidence is given to the community in those institutions themselves. Capitalists will more readily invest their money in the stocks of state Banks, when they see these institutions under such restriction as will effectually prevent the conductors of them from abusing their powers. Shareholders of Bank stocks are generally satisfied with dividends equal to the legal rate of interest, provided these be accompanied with a persuasion of security and certainty in their investments. Their interest requires nothing more than the proper legitimate business of banking, and whatever may have been the wild aspirations of some conductors of Banks, it has been rarely the case, that the stockholders have been benefited by them. On the contrary, while those who have the management of Banks, in many instances may go out of the usual routine of their business, to promote their own private views ; the stockholder, with scarcely a possibility of being benefited by a speculative operation, is sure to feel the full burthen of the loss, in the event of a disasterous result. Hence when banking institutions are without a check, when these directors, or officers may extend their issues without limitation, the confidence of the prudent stockholder is lost, he withdraws his capital from the institution. The chance of an increased dividend being no temptation to him ; he prefers placing his funds where they will be safer, even if the prospect of possible profit be less.

Suppose a country, where there are several hundred Banks, all without any other check, or restraint, than that of the degree of discretion to be found amongst their directors and officers. It is evident that whatever the condition of these institutions may really be, the confidence of the public will be shaken. The stockholder will manifest his want of confidence by selling out ; the depositor by diminishing the amount he keeps on hand ; and the public by carrying back every bill to its proper Bank as fast as possible. Whatever course capital may take, it will fly from these institutions. It will sooner seek a place of safety in foreign countries, with the prospect only of a low rate of interest, than abide the issue of such a state of moneyed affairs.

Suppose on the contrary, amidst such a state of things a National Bank, properly so called, to be established. Its operations unavoidably checking what may be called, any tendency to a monetary licentuousness, the confidence of capitalists is restored, they reinvest their money in the stocks of the local Banks, because they can depend upon their better management. Their dividends may be smaller, but they will be regular and sufficient. The depositor leaves his surplus in the Bank without fear; and the public keep that amount in circulation, in bank paper, without fear, which before, was so hastily exchanged for gold and silver. Even the foreigner who had withdrawn his money from the state Banks, now remits it again to the country, to be again invested in their stocks ; not because he believes the character of the people to be changed, but because he knows the circumstances of the country to be changed. The operation of a National Bank securing to him the stability of other moneyed institutions, and thus restoring his confidence.

This is not a mere matter of theory, experience has shown us that, with the operation of a National Bank, confidence in other Banking Institutions has been unbounded : without such a Bank this confidence has gradually disappeared, giving place to a panic fear, and a general withdrawal of real capital. Such then being the operation of a National Bank, directly, by

its own stock, and indirectly by the confidence it procures in the operations of other moneyed institutions;—bringing new supplies of real capital into market; increasing the competition in lending, and keeping down the rate of interest, there can be no question of the public policy to be pursued in respect to it.

In every country the borrowers constitute the great mass of the people. In none perhaps, more than in the United States, not on account of the poverty of the inhabitants, but on account of the room for enterprise and industry afforded them. Capital is more in demand here, because more can here be done with it. The working classes are borrowers, not because they are poor, but because by their industry and enterprise, with the liberty of employment so abundantly enjoyed, they can all of them obtain a profit from capital, over and above the interest they pay for it. Whatever therefore, diminishes the rate of interest on capital, and facilitates the acquisition of the use of it, is of advantage to the *laboring classes*, and through them, proportionally beneficial to the country; because it is principally by the additional value, exclusive of the accumulation of interest, given to property, by *labor well bestowed*, that the country is enriched.

SECTION VI.

The operation of a National Bank in meeting the constitutional requisition; that "all duties, imposts, and excises shall be uniform throughout the United States." (See Constitution, Art. 1, Sect. 8, last clause.)

We have seen in the course of the preceding remarks, that where the paper currency of the country is dependant upon the management of state Banks, unchecked by the regulation of a National Bank, there must be a depreciation in the value of Bank bills:—greater or less, in proportion as the Banks of one section are managed, with more or less prudence, than those of another. Consequently if duties and taxes be paid in the ordinary paper currency of these different sections, the citizens of that part of the country where Bank paper is most depreciated, will pay less duty than those of other portions where there is little or none of this depreciation; in which case, the revenue suffers an actual loss, and the duties and taxes are not *uniform*. This is not merely a matter of argument, it is something which has actually occurred. Previous to the charter of the last United States Bank, and subsequent to the expiration of that charter, this state of things has actually existed.* The only remedy for this evil, without a National Bank, is, as we have also seen, a resort to *hard money* requisitions, and an entire *separation* of the public moneys from those of the community. This remedy too, we have tried, and we have found it worse than the disease. For although the government may collect its revenue in this way without loss, the nation must lose the benefit to be derived

* Soon after the late war with England, there being then no National Bank, the paper currency of Maryland being about twenty per cent. lower than of Massachusetts; certain merchants of Boston, imported their goods into Baltimore, that they might enjoy the privileges of a citizen of Maryland, by paying their bonds for duties in the depreciated bank paper of that city.

from the use of all the real capital afforded by the government deposits and circulation.

There has been, it is true, another expedient resorted to. Government has on former occasions, as at the period already adverted to, issued its own bills, termed treasury notes. But this was only making two paper currencies instead of one. The treasury notes proving to be nearly as various, fluctuating and unstable in their value, as the Bank bills of that period; being only something not quite so bad as Bank bills, and not so good as specie. Besides this, it is evident, that the payment of all dues to government in gold and silver; or gold, silver, and treasury notes, can have no favourable operation, nor produce any good effect upon the Bank currency of the country. It did not formerly—it cannot do so at any time. Confidence in Bank paper cannot, and never has been restored by it: and so long as this confidence is wanting, the public moneys must continue separated from those of the community; and so much available capital must be drawn from employment.

It is a common error to suppose that government is called upon, in such a predicament as this, to *create* a currency—to create something which is to take the place between gold and silver on the one hand, and the paper of the state Banks on the other. We have already noticed that it is one thing to *regulate*, and quite another thing to *create* currency. The regulation of the paper currency of a country, by bringing all Bank bills to a specie basis, and restraining all Bank issues to the representation of real capital, has a happy effect in restoring confidence to the community; and in bringing other real capital from its hiding places. The creation of a new paper currency, in the midst of another paper currency already depreciated, only makes bad worse. An issue of treasury notes for example, receivable in payment of government claims for revenue, being in fact, only so much fictitious capital till that revenue becomes due. Suppose the United States government to issue treasury notes at this time, based upon the revenue to be received. This is only creating a *collateral* paper currency in addition to that with which the country is already flooded: making the artificial value of property already existing still more artificial. A proceeding favorable indeed, to the purposes of speculators, but very far from favoring the laboring classes of the community.

But suppose the government to borrow in the first instance several millions of dollars, in specie, in order to enable it to redeem its treasury notes at sight, at any and every point where they may be presented; as a Bank without capital might commence business by borrowing money, perhaps at a disadvantage, in order to enable it to pay its own bills.* In the first place, the specie thus taken up by the government, is an abstraction of so much real capital, a great part of which must be kept idle; and if by this arrangement, the treasury notes are every where equal to specie, the same difficulty still remains. The treasury notes as well as the silver and gold must be kept separate from the Bank paper around it. Government vaults and safes must still be used. The Banks will still continue their unrestricted issues. Public confidence must be still wanting, and real capital whether in the hands of government, or in those of individuals, will continue to seclude itself as it were, for safety.

* Such conduct in a Bank would be considered supremely ridiculous, how far it may be esteemed otherwise in a government, must be left for its advocates to demonstrate.

If instead of this, the treasury notes be not redeemable every where with specie; being good only for payments to the government, and that only when those payments are due; in some parts of the country they must be even more depreciated than Bank paper, in others, less, but every where they only add to the general confusion, enabling the citizens of one part of the country to pay their duties and taxes at a lower rate than those of another part.

We have now to suppose the existence and operation of a National Bank. Here again, we are not dependent merely upon theory. The experiment has been tried. Tried, too, more than once, and always with success. We have no occasion to seek out a new state of things, we have only to go back to that organization of the Banking System which prevailed a few years since, and with which the country has been perfectly familiar. The problem to be solved by the opposers of a National Bank, being not how to make the state of the country better than it was ten years ago, but how to make it as good without the same means. By the operations of a National Bank, the issues of all Banks being brought down to a specie basis, the exchanges equalized, public confidence restored, real capital introduced in the place of fictitious, and a safe and proper agent provided for the treasury, any *separation* of the public moneys from those of the community becomes unnecessary. The citizens of every section and state in the country are enabled to pay their dues to the government in the bills of their respective Banks upon equal terms, without hazard or disadvantage to the public interests, and without that inconvenience and loss of power in capital, which unavoidably results from a hard money system.

In this way a *National Bank of discount with branches*, provides for the collection and safe keeping of the revenue, and for the *uniformity* of the public burthens, in the easiest, safest and most reasonable manner; or, to use the expression of the Supreme Court upon the subject, " in the manner most beneficial to the people." And it is because such an institution effects this, which cannot be effected in any other way, that it is *necessary and proper*, and being so, its incorporation is constitutional.

We do not say that it is impossible to collect the revenue without a National Bank. We know that it is possible to collect it under a specie circulation in *gold and silver*, *vi et armis*, by force and arms, if not otherwise: but this is not effecting the purposes of government, " in the manner most beneficial to the people." We know the inconvenience of a hard money collection, we know the impossibility of collecting in depreciated paper with uniformity in the payment, and without loss to the government, and we know the perfect inefficiency of treasury note issues in supplying the place of a well regulated Bank currency. On the other hand, we know by forty years experience, how easily all difficulties are surmounted through the agency of a National Bank. We have seen during that period, two such institutions successively incorporated and in operation for twenty years each, receiving and paying the public moneys without the loss or even a serious apprehension of the loss of a single dollar to the government, without depriving the country of the use of capital derived from the government deposits or circulations, with almost a perfect equalization of the exchanges, and as perfect a uniformity in payment of taxes and duties: while on the contrary, no sooner has the country been deprived of the operations of a National Bank, than we have seen fluctuations, and inequalities immediately taking place, driving the administrators of govern-

ment to the alternative, of collecting and keeping the revenue, either unequally and disadvantageously in paper money, or harshly and *distressingly*, altogether in specie; and we now witness a period when for want of such a Bank, confidence at home and abroad, is withdrawn and withdrawing from all our moneyed institutions, real capital is flying for protection and security to other countries; and the government is more and more involved in the necessity of separating the public moneys from those of the community, and of creating an artificial currency, almost as fluctuating, and as subject to depreciation as the paper currency by which it is surrounded.

Experience and theory here go hand in hand, we have only to enquire, what was the state of our moneyed institutions during the operation of our two several National Banks, what was then the state of public confidence in the stability of the paper currency? and how the revenue was then collected *uniformly throughout the United States?* and this too, without a *separation* of the government moneys from those of the people.

The facts are all such as to corroborate the arguments here made use of in favor of a National Bank, similar to those of which we have heretofore enjoyed the benefit.

Note.—It is not designed to enter into a legal argument here, as to the right of Congress to establish a National Bank. Two such Banks, as almost every one knows, have been successively in operation in this country; each for the term of twenty years; and not long after the incorporation of the last of these two Banks, the question of the constitutionality of its charter, was carried up to the *Supreme Court of the United States*, the authority of which court, according to the Constitution, (Art. 3, Sec. 2,) being decisive in all matters of the kind. The trial was of the most important character that could be selected, as it was an issue between a sovereign State on the one side, and the National Bank on the other,—the argument on both sides being conducted by perhaps the most able legal counsel at that time to be procured.

The following decision of the Bench, delivered by Judge Marshall,—himself a Constitutional *veteran*,—set the matter at rest, with regard to that Bank, (4 Wheaton, 424):

"After the most deliberate consideration, it is the unanimous and decided opinion of this Court, that the act to incorporate the Bank of the United States, is a law made in pursuance of the Constitution, and is a part of the supreme law of the land."

This opinion was given in the year 1819, that Bank having been chartered April 10, 1816. The only remaining inquiry is, then, whether the circumstances of the present period, are such that the incorporation of a National Bank would be as constitutional now, as it was then.

Admitting the power of Congress to establish a Bank, to rest principally on the provision (Constitution, Art. 1, Sec. 8,) *to make all laws which shall be necessary and proper* for carrying into execution the express powers before granted, the main question presented to those who are scrupulous on this point, is whether a law establishing a National Bank be *at this time* necessary and proper for carrying into effect any of the powers expressly granted to Congress. Whether, for example, a National Bank be *necessary and proper now*, to enable Congress "to lay and collect taxes, duties, &c.," in such a manner as that "all duties, imports and excises, shall be uniform throughout the United States."

In coming to a decision on this point, we are to adopt the rule of construction, laid down by the Supreme Court of the United States, in the case above refered to, that the words *necessary and proper*, do not imply an *absolute* necessity. We have only to inquire whether a law establishing a National Bank, (of discount, with Branches,) be *reasonably necessary and proper*, for the purpose in contemplation, so as to enable the government to accomplish that purpose in the safest, most convenient, and most equitable manner; (see opinion of the court, 4 Wheaton, 412—424.) It is not requisite to show that it is *impossible* to collect the revenue without such a National Bank. All that the Constitution requires, is to show that such an institution is *reasonably* necessary and proper, or *appropriate*, to the wants of the government in this respect; —necessary and proper, because the matter in hand can be accomplished better in this than in any other way.

On this point we are to bring to bear our experience and observation of the difficulties and disadvantages arising from a collection of public dues in *hard money*, on the one hand, and in paper money, without a National Bank, on the other: subjecting the nation, in the first case, to an immense loss of available capital, and in the last, to the unconstitutional mode of levying duties and taxes unequally in different portions of the country.

How far such a Bank as is under contemplation, may be necessary and proper to meet the wants of the government, must, in the nature of things, be a matter about which the legislative branch of the government only can decide, at the time of passing the act of incorporation.

Upon this point, the following opinion of the Supreme Court, in the case before cited, is abundantly explicit:

"We think the sound construction of the Constitution, must allow to the national legislature that discretion, with respect to the means by which the powers it confers are to be carried into execution, which will enable that body to perform the high duties assigned to it, in the manner most *beneficial to the people*."

And again, (page 423): "The time has passed away when it can be necessary to enter into any discussion in order to prove the importance of this instrument, [a National Bank,] as a means to effect the legitimate objects of the government."

"But, were its necessity less apparent, none can deny its being an appropriate measure; and if it is, the degree of its necessity, as has been very justly observed, is to be discussed in another place. Should Congress, in the execution of its powers, adopt measures which are prohibited by the Constitution—or should Congress, under the pretext of executing its powers, pass laws for the accomplishment of objects not entrusted to the government—it would become the painful duty of this tribunal, should a case requiring such a decision come before it, to say that such a law was not the law of the land. But where the law is not prohibited, and is really calculated to effect any of the objects entrusted to the government, to undertake here to inquire into the degree of its necessity, would be to pass the line which circumscribes the judicial department, and to tread on legislative ground. This court disclaims all pretensions to such power."

It has been accordingly twice decided by Congress, as is evidenced by the acts of incorporation of 1791, and 1816, approved by the Chief Magistrates then in the presidential chair, that a National Bank of discount, with Branches, was necessary. We have then only to ask, whether the institution be not as reasonably necessary and proper *now*, as it was at the two periods when the two former Banks were incorporated. If it be so, and Congress decide that it be so, then there can be no question as to the constitutionality of the law giving it existence; and the people having (by their representatives) decided in favor of the necessary and proper character of the institution, the act of incorporation is the evidence itself of this decision, and thus bears testimony to its own constitutionality.

It is in this view, especially, that it becomes important for the people to inquire, for themselves, how, and in what manner, a *National Bank* is a suitable instrument of government, and in what manner its operations are *beneficial* to the country—which is the inquiry we have here been endeavoring to pursue.

PART THIRD.

OBJECTIONS TO A NATIONAL BANK.

SECTION I.

Parties having an Interest in Opposition to all Banks, or any new Bank.

The advantage of Banks generally, and the usefulness of a National Bank being such as have been here set forth, let us inquire what class of persons may be supposed to object to either one or the other; and what objections they may reasonably urge.

The operation of a Bank, as we have seen, is to bring into market capital otherwise lying dormant; thus enabling the borrower to obtain money more easily, and reducing the rate of interest.

If, in a certain city, there be no Bank, all the business of lending money will be in the hands of a few rich men, or of those whom they may employ as agents. These persons very naturally object to the establishment of a Bank. They think there is no need of more capital. They think the rate of interest low enough already, and they will probably exclaim against the Banking System, as calculated to encourage trading on what they call *false capital.** They will maintain that no one should trade, who has not money of his own, enough and to spare, unless perhaps he borrow of them at the price they ask. Their interest is, as they may think, to keep all the lending business in their own hands; and hence they may object to a Bank, or Banks. But what have the people to do with such objections as these?

Banks raise, as we have seen, capital, and *real* capital, too, from their circulation. The rich money-lender may jeer at this circulation, and cry out against *shin plasters*, and those who issue them; but the mechanic, the farmer, the trader, the borrowers of the capital thus raised, have no reason to declaim against Banks. A Bank raises capital from the proportion of its deposits, lent out at simple interest. The money-lender may call this loaning the property of others, and think that borrowers would do better to pay him a higher rate of interest, because he lends his own money; but the borrower from the Bank has no reason to complain; and so long as depositors are willing to allow their money to be used in this way, no one can have reason to be dissatisfied, except the rich money-lender, who finds the Bank a competitor in his business, and actually lending lower than he does.

So long as Banks deal only with *real* capital, the laboring classes must be benefited by their operations. They have only to be watchful, that a

* See distinction drawn between fictitious and borrowed capital, page 10.

Bank does not introduce fictitious capital into circulation; because this is, in effect, a fraud upon the public, necessarily resulting in disaster, from the operation of which the laboring classes are least to be benefited, and first to suffer inconvenience.

If there be but one Bank in a place, that institution may have reason to object to the establishment of another Bank; for the new Bank may take away part of the deposits, and occupy part of the circulation of the old Bank, and the opportunities for lending money may be divided. The same with any number of Banks in one location; they will regard every new establishment as operating against them—as an interloper creeping into their place, and diminishing their profits. No one wants a new competitor in his business; and as the rich man objects to the establishment of any Bank, where he is, so any Bank, or Banks, already established, may object to the coming in of a new Bank. But what objection can the *people*, or can borrowers, have to such an additional establishment? Every new Bank bringing in new capital, and more money to lend; and the stockholders taking the risk whether the business be profitable or not, those who are likely to borrow, cannot object. The laboring classes can have no interest in objecting; for the more capital, the greater the prospect of employment. The people cannot object, provided only, that these institutions, for the reasons already given, be prevented from introducing fictitious capital.

It is, indeed, a matter of surprise, that Banks, properly conducted, ever should have been considered hostile to the interest of the poorer and laboring classes; the fact being well known, that by means of bank shares, the smallest capitalists may place their few hundred dollars in a way to obtain a safe and profitable income from the amount, while the industrious workman, or the enterprizing trader, through the same means, is able to obtain so much the more easily, the use of the small additional capital, at any time required to fulfill his engagements.

Rich men may borrow of rich men. He who wishes to borrow his ten or twenty thousand dollars, and has abundant security to offer for it, may make arrangements for a loan with his wealthy neighbor; but the laboring man, the artizan, the mechanic, the house-keeper, the small trader, will not be able to borrow his two or three, or five hundred dollars, without a Bank. So, without a Bank, the small trader can scarcely obtain credit, because his note cannot be discounted as it would be by an institution, preferring, perhaps, the discounting of notes of small amount, and requiring only a good reputation on the part of the promiser. Even the day-laborer, where there are no Banks, may find half his time unemployed, and his daily pay reduced, because there is not capital enough within reach of the enterprizing contractors, upon whom he depends for occupation. Banks, therefore, so far from being engines, or organs, of the *rich*, are just the institutions of which the rich only have reason to complain. They are, in fact, inventions enabling the *poor* to do wtihout the rich; and it is for this reason that they are most useful in countries of which the population is composed principally of the middling classes; enterprizing and industrious, but in want of capital.

These classes, then, not only have no reason to object to the establishment of Banks, but they have great reason to advocate their existence, and even to favor their multiplication, *provided they are subject to such a check as will prevent their creating fictitious capital.*

SECTION II.

Interests opposed to a National Bank—the case of RICH MEN, *and* MONEY DEALERS.

Let us now suppose a National Bank to be about being organized, calculated precisely as we have represented it to be, to bring forward new supplies of real capital, to equalize the Exchanges, and to regulate the issues of other Banks; what class of persons may reasonably object to such an institution, and what objections may they urge?

The rich man may object, as we suppose him to have done before, and for the same reasons. Tell him that a National Bank will bring *new capital* into the country; he will say there is capital enough here already. He will be for prohibiting the introduction of *foreign* capital, and may talk of the duty of encouraging our own capitalists, and the patriotism of fostering and using only our own means. Tell him that the operations of a National Bank will tend to keep down the interest of money. He will say, "this is the very thing I am afraid of." He thinks the rate of interest already too low. He wants no Banks to come into competition with him in the business of lending, and least of all a National Bank. Tell him that such an institution will prevent other Banks from extending their business, and multiplying their issues, beyond their proper limits. He is perhaps at this time a holder of bank stock, and is afraid that his dividends will be diminished. Or tell him that a National Bank will prevent the moneyed institutions of the country, generally, from creating fictitious capital, and giving an artificial value to every kind of property. He may consider this as operating particularly against his own interests. He has immense property to sell, and comparatively nothing that he is obliged to purchase. What he has to dispose of will sell at so much higher prices, in proportion as the currency is depreciated. His property will be doubled, trebled, quadrupled, according as the Banks are allowed to extend themselves without limit, and he trusts to his own sagacity to make sales at high prices, in time to place his money in something not liable to suffer by the subsequent reaction. He has every thing to gain by a derangement of the currency, and nothing, as he thinks, to lose by it. Tell him that a National Bank will bring the paper currency to its proper level, and prices of all kinds to their proper and proportional specie standard: he will prefer having his large estates remain at their existing high valuation, although he knows this value to be in a great degree fictitious. What desire can he have to regulate the currency? "Let well alone," he will say, "I am satisfied with things as they are."

The position of the people must certainly be very different from this. The rich man, especially if he be at the same time a great speculator, may object with some reason to a National Bank; but the laboring man, the artizan, and small capitalist, have all a different interest to provide for. How small, then, must be the number of objectors, on this score, in comparison with the great mass of the people.

The dealer in Bank Bills, and in domestic exchanges may object to the establishment of a National Bank. He wants no competition, like the Branch of a National Bank, to take part of his business out of his hands.

He wants no equalization of the currency, bringing the Bank bills of Alabama and Georgia, almost to a level with those of New York. He will call this taking the bread out of his mouth. Confusion and instability in the currency, are the elements of his harvest. The profits of his business are to be estimated in proportion to the inequalites and uncertainties of the rates of exchange. Tell him that a United States Bank, such as it should to be, will collect money from all parts, and in all parts of the country cheaper and quicker, than it could be collected in any other way; and you will represent it to him, as of all things, one of the last establishments for him to promote. The dealer in exchanges, and the changer of paper money, we admit, may have some reason to object, but what have the people to do with their objections?

If the greatest difference between the values of the bills of different Banks, or between the values of the Bank, money of different states, do not exceed one per cent., the exchanger of this money cannot make a profit in any case exceeding one per cent., but if the difference be ten or fifteen per cent., there is so much more room, and so much better chance for him to make two or three per cent., or more, instead of one.

If there be but one person in a town, whose business it is to exchange Bank bills, he will ask his own prices, and make so much better profit, he will not of course, wish another person to take up the business in his neighborhood; so if there be several engaged in the same business, although the rates may be reduced by competition, none of these persons would wish to have a Bank established in their neighborhood, especially if the Bank effected these exchanges at a lower rate than they could.

Suppose in each of these twenty-six United States, one hundred persons, whose business it is to deal in the bills of exchange and Bank paper of the different states. Here will be twenty-six hundred persons in the whole country, having the reason just given, for opposing the establishment of a National Bank. The greater the difference in exchanges, the better for them. A National Bank diminishes the difference; leaving them room perhaps, for scarcely more than one quarter or one half per cent. profit. "What's the use of a National Bank?" they will say, "We can manage the exchanges:" "Let trade regulate itself." What's the use of canals? the waggoner may say, with as much reason. Leave the transportation of goods to us. What's the use of railroads? says the stage coach driver, "Leave the carriage of passengers to us: we can manage it: let trade regulate itself." But the merchant who has sold his goods to dealers in distant sections of the country, sees the use of equalizing and giving stability to the exchanges; and the dealer, who comes from a distant state, to purchase goods, and is obliged to change his money at a loss of five, ten, or fifteen per cent., sees the use of a National Bank.

The exchanger of money is able to make a mystery of his art. He obtains the best information he can as to the state of the several Banks; and as to the changes expected to take place in their management. The dealer in merchandize cannot obtain this information. His ignorance subjects him to anxiety, and he sells his bills at the best price he can obtain, and the greater the depreciation in the bills he has, the more he is at the mercy of the exchanger.

Nor is the seller or buyer of goods the only party concerned in this loss. The *consumer* has eventually to pay for it. The loss in exchanging money being as direct a charge upon the goods consumed as the expenses of transportation. Every one who eats, and drinks, and wears clothes,

and needs the shelter of a house, having the same kind of interest in equalizing the currency, by the aid of a National Bank, that he has in facilitating the transportation of merchandize, by the aid of rail roads and canals. While then the interest of the twenty-six hundred persons, engaged in changing money, may be opposed to the establishment of a Bank, the interest of ten millions of consumers, and of hundreds of thousands of traders, throughout the country, is directly and urgently in favor of it.

SECTION III.

Case of Sellers of Foreign Exchange.

There are certain objectors, few in number, but of a very respectable class, who have really no disposition to oppose the establishment of a National Bank, *provided it does not deal in foreign bills of exchange.*

If a National Bank with its immense capital, sell its own bills, or bills with its own endorsement, these bills of course will generally command a preference over those of individuals, or of private banking institutions. These last, being known to be good only to comparatively a small number of persons, while the bills of a *National Bank* are known, or believed to be good by all persons, almost in all parts of the world. Such was the case with the bills of the late United States Bank, properly so called; and such no doubt would be the case with any other National Bank properly organized and conducted.

This preference however, after all, is in general, but a mere matter of a quarter or half per cent. difference, affecting more the vanity or mercantile pride of the individual drawer of bills, than his real interest. The Bank too, in consequence of its extensive arrangements, may sometimes be able to sell bills lower than other drawers, and sometimes its operations in this portion of trade may interfere with the interests of those who derive an emolument from the business of buying and selling *foreign exchange;* but if the seller of private bills be aggrieved, the buyer of exchange it is to be remembered, is benefited; and the lower foreign exchange is obtained, the lower goods may be imported, and the cheaper the consumer will be supplied. It is only, however, a portion of the sellers of foreign bills, who have reason to complain; for a large part of the drawers and sellers are accommodated by it; being enabled to sell their exchange to the Bank, at times when perhaps they could not dispose of it otherwise, without some undesirable hazard, or, without a sacrifice in price. The operations of the Bank tending to moderate the action of the market; preventing the rate of exchange from rising too high at one time, and from falling too low at another. These two extremes being equally undesirable, as it is the same with exchange as with the necessaries of life. Too high a rate must be followed by an inordinate supply, reducing the rate too low; and too low a rate, being inevitably followed by a scarcity which again causes an unreasonable increase of price.

The operation of foreign exchange is the same, in this respect, as that of domestic already alluded to. If the products of this country could be sent abroad, precisely at the time, when, and in proportion as, those of other countries are brought this way; so that every one thousand dollars worth of cotton, or flour, or tobacco, could meet its exact amount in dry goods, hardware, &c., there would be little or no accomodation required in bills of exchange; but we know that the crops of this country must be

shipped at a certain season; and we know that the goods we import must be procured at certain other seasons. The proceeds therefore of our cotton, or flour, might not be wanted to pay for the foreign goods imported against them, till six or eight months after the crop is brought in. The grower would then be obliged to wait this period for his money, were it not for this process by which through bills of exchange, these two amounts are made to meet each other. The planter draws upon his factor, allowing ample time for the sale or shipment of his cotton; obtains the money for his draft, and is then in funds for his crop, as soon as it is grown. The factor waits for the moment of demand, and sells the cotton on credit to the shipping merchant, whose note he gets discounted in time to meet his acceptance of the planter's draft. The shipping merchant again having credit, waits till the proper time for shipping, and then draws his foreign bill of exchange, so as to leave ample time for it to meet the proceeds of the cotton. But the shipper of cotton at Mobile, or New Orleans, meets with no one there in want of a bill of exchange to remit for foreign goods. If there be a Branch Bank at either of these places, dealing in foreign bills of exchange, he sells his bills to this Branch, and receives the money in time to pay the note given for the cotton. The Branch at New Orleans sends the bills to the Branch at New York, here the bill is kept till it is wanted, and called for; that is, till remittances are wanted to meet the dry goods, &c., ordered. The time elapsing between the coming in of a crop, and the moment when its amount is wanted, to pay for the foreign product, in return, is thus divided between the several parties. All are accommodated with funds, while all are enabled to wait the proper time, either for selling or buytng; and this with the smallest possible loss of time or expense. The case is the same, if the process be reversed. If the goods imported, be brought in first, the importer looks to the coming crop for the means of meeting a remittance. He applies to the planter, whose crop has not yet gone to the shipping port. The factor has not received the cotton to be sold, and the shipping merchant cannot yet buy the cotton upon which he should draw. The importer then applies to the Branch Bank in his neighborhood. The Bank has no bills at the moment, but it will have a supply when the crops come in, and are sold, in the meantime it has an ample credit abroad. The Bank therefore furnishes the importer in advance with those funds, which are to come out of the next crop some months afterwards. Having done this, the Bank is so much more disposed to buy the bills of the shipping merchants, and the shipping merchant is so much better enabled to pay the factor, and the factor so much more ready to accommodate the planter. Either way the process is calculated to make the greatest possible saving of time and expense, while it brings the wants of the consumer of foreign products, and the wants of the producer of domestic products, to meet each other in respect to time, as it were, half way. Who are the parties most benefited. Evidently, those at the two extremes. Every facility, and every saving of time, and expense in the intermediate stages of this process being calculated to enable the planter to obtain a better price for his cotton, and the consumer to obtain his goods at lower rates.*

* The American grower of cotton, for example, whose products are sent to England, being in this matter, at one extreme, and the American consumer of English goods, being at the other extreme. The American consumer depending upon the American producer, to pay for what he consumes; and the American producer depending upon the American consumer for the pay of what he produces, it becomes the interest of these two parties to diminish all intermediate charges or expenses.

If there were no United States Bank and Branches, the process would be nearly the same, except that what we have supposed to be done by a Branch Bank, would be done by individual merchants, or Bankers, who could not do it generally speaking, with the same ease or to the same extent; and who could not afford to do it, and would not be willing to do it without some additional charge, which a Branch Bank would not make. Whatever this additional charge be, and whatever additional loss of time there may be, this charge, and this loss is so much to be divided between the parties at the two extremes. The producer having so much less to receive for his crop, and the consumer so much more to pay for the foreign articles of which he makes use. We have then only to compare the number of individuals losing a commission or per centage, by this competition of a National Bank, on the one side, with the number of producers and consumers benefited by it on the other.

It may be admitted, however, that for the purpose of regulating the currency, and of performing the duties of a government agent, it is not *directly* necessary that the Bank should be a dealer in foreign exchange. It is one thing to equalize the exchanges between the several United States, and another thing to equalize the exchange between the United States and foreign countries. It may not be directly necessary indeed, that a National Bank should be a dealer or speculator in any thing. The Bank may collect drafts, and discount their amount, and charge its per centage for collecting to meet the difference of exchange and expense, leaving it for ordinary competition to reduce this per centage to its lowest rate. In such case, if the stockholder do not gain as he might do, by buying and selling, he will not on the other hand, incur the chance of loss. So in the case of foreign exchange, the Bank may discount, and collect it, or sell it, charging only the interest, and the actual expense, or loss incurred, but this would not meet the objection of its opposers here: the objection in the case supposed, being not that the Bank makes a profit by foreign exchanges, but that it does the business cheaper than individuals can do it; and so prevents them from making their usnal profit out of it.

On the other hand, although it may not be *directly* necessary for the Bank to deal in foreign exchange, it may be indirectly so. If this privilege like others already mentioned, be necessary to induce capitalists to subscribe for its stock; this might be a sufficient reason. For a National Bank can effect none of the purposes for which it is required, without an ample capital, and it cannot obtain this capital, unless its charter afford sufficient inducements to prompt those, who have money to spare, to invest it in the stock.

Independent of this, there is a further reason, why the Bank should possess the faculty of dealing in foreign exchanges. We have seen that there must be a certain lapse of time between the period, when foreign products are taken up for this country, and a period when the crops of this country reach the point where they meet these products. There are periods when in the natural course of trade, there may be neither produce nor exchange going forward to meet the foreign imports coming this way. At these moments to supply the deficiency, shipments of specie must be resorted to. Large shipments of specie called for unexpectedly, produce embarrassment and alarm, on the part of the local Banks, frequently indeed unnecessary. This alarm often becomes a panic, the paper currency is affected, and the whole community is inconvenienced. At such a moment a National Bank, with a large

credit abroad, is able to furnish an amount of exchange in anticipation of of the next crop. This exchange goes forward instead of the specie that would otherwise be sent. The expense, and loss of time, incident to transporting the precious metals, is saved to the country; the inconvenience of a pressure is saved to the local Banks; the paper currency is not affected; and no panic or alarm occurs. Meantime the Bank is able to wait till the crops come in, and are sent forward, when it purchases the bills of shippers to reimburse the amount previously drawn for, in anticipation. The whole community are thus accommodated; and even the individual dealears in foreign exchange, who have had some reason to complain of this competition, find an important advantage in the arrangement. Their own operations being carried on with so much the greater facility, while the supply of foreign exchange, afforded by such an institution, modifies the call for specie, for even the most distant quarters of the world; insuring greater confidence in the local Banks, and more stability in the currency.

It is not for the interest of the stockholders of a Bank, however, that it should be allowed to *speculate* in any thing. Its proper business is strictly and simply that of *lending* money; and its dealing in foreign and domestic Exchange, is only one form of this business of lending. If it lend money on bills of exchange, it must have the means of getting this money back; and this is to be done by drawing its own bills, or selling those in its possession. The Bank, in the mean time, charging no more than sufficient to cover the extra expense and loss of time to whieh it may be exposed. If the Bank cannot draw and sell its bills, it cannot lend money on bills. A Branch, for example, cannot, in such case, lend money at Charleston, Savannah, or New Orleans, on the bills of shippers of cotton, and remit those bills to the Bank at New York, to be there sold or remitted, and drawn for. This business will then be done through the intervention of third persons, and it is evident how very small must be the number of persons thus benefited by the restriction on the Bank, in comparison with the number of those to whom it is an occasion of serious inconvenience and loss.

NOTE.—Keeping in view the position, that the proper business of a Bank, and especially of a National Bank, is that of *lending money only*, all objections to such a National Institution, arising from the supposition of its engaging in *speculations*, are set aside. They do not belong to the case. A National Bank is not necessarily a dealer or speculator, and it is no difficult matter so to frame its charter as to prevent such an abuse of its powers; while the restriction, the stronger it is, will be the more fully satisfactory to those who subscribe to its stock—the shareholders aiming especially at a safe investment of their capital, with moderate but regular dividends.

SECTION IV.

Interests of State or Local Banks, in opposition to a National Bank.

The officers, directors, and stockholders, of State or Local Banks, may object to the establishment of a National Bank.

These persons may suppose it to be for the interest of their institutions, to monopolize the banking business as far as they can. They have the same general objection to a National Bank, which we have supposed rich men to have to them. They want no more *competition* in the business of

lending money. They, too, will say there is capital enough in the country—their capitals are enough.

Besides this, wherever a National Bank, or one of its Branches, is established, it must take up some of the deposits and circulation of the other Banks. The several Banks of a city cannot, for this reason, look with a favorable eye upon the introduction of a Branch Bank; and the more money this Branch has to lend, the worse they think it will be for them. Those who make their deposits in the Branch, finding a preference on that account in obtaining loans, withdraw their deposits in whole or in part from the State Banks, to place them in the National Bank; and if they borrow money of the Branch, they will receive the amount, or a large part of it, in the bills of the National Institution; and as these get into circulation, they must occupy the place, in some degree, of the bills of the other Banks.

As, then, the profits of a Bank are in proportion to the amount of its deposits and circulation, and as the establishment of a National Bank of discount, with Branches, may be supposed in this way to diminish the profits of the State Banks, these have here some reason for objecting to the establishment of such an institution. But what have the people to do with this objection? What have the laboring classes to do with it? The great mass of the people can have no direct interest in bank stocks; and even the interest of the stockholders themselves, is small, in the matter of their profits, in comparison with that which they have in the general prosperity of the country—in the stability of all kinds of property—in the regulation of the currency—and in the reduction of the exchanges,—as owners, as buyers and sellers, and as consumers. The disadvantage, too, which holders of bank stock might, in the case supposed, experience from a diminution of their dividends, must be more than compensated by the security given to their investments in the several Banking Institutions in which they are interested.

But some of the Banks have another interest at stake in this matter, distinct from, and even opposed to, the interest of the people.

These are the Banks inclined, or urged, to extend themselves improperly. The officers are disposed to lend largely, that, their customers being accommodated, they may themselves be the more popular, and their institution appear in a more flourishing condition. Some, too, may have their own speculations, or those of their friends, to favor. The directors are, for the most part, in business. They wish to borrow more and more. They receive no compensation, except the loans they procure from their Banks. Every thousand dollars a director is able to borrow, may afford him a certain per centage of profit; and the only pay he receives is this profit on the amount of capital thus at his disposal. A director may not borrow because he is needy, but because the more he borrows, the greater, he supposes, will be the profits of his business. He has besides, in his ordinary dealings, his set of customers, to whom he sells, whose credit it is his interest to sustain, and to whom it is desirable for him to grant facilities, that they may give the better prices for the goods he sells them. He may be a commission merchant, too, and the greater advances he can make, the greater the amount of consignments he may receive.

The same may be the case with the customers of a Bank; their accounts are valuable, because they keep large balances in the Bank to their credit; and it is necessary to acceed to their demands, or they will withdraw their accounts, and go to some other Bank, where they expect more

accommodation. Or perhaps they are stockholders, and may use their influence at the next election, in favor of a board more disposed to meet their wishes. Some borrowers, too, obtain money from their Banks, on condition of circulating the bills in distant parts of the country, from whence they cannot be expected to return very speedily.

The conductors and customers of Banks, thus influenced, wish to be unshackled in their proceedings. *They are for the largest liberty*, particularly for themselves. They profess to see no use in a National Bank. They scoff at the idea of a *great regulator*, as they call it. Represent to them a National Bank acting as a check upon other Banks, and they exclaim against it as a MONSTER. They will vociferate about *state rights;* as if state rights consisted in the right of State Banks to issue paper money never to be redeemed. Their cry is *give, give*. Let them be told that their Bank cannot lend all they ask for, because it has to check with the Branch of the National Bank in its neighborhood, and will be called upon to furnish specie for any excess of its own bills, already perhaps exceeding their proper limits.—Who wants to be hampered in this way? they say. "Down with monopoly—down with the monster." Their language and their opinion, perhaps, may be that their city, or their town, would be the greatest in the world, if it were not, as they say, for the United States Bank.

This is perfectly natural. It is perfectly natural that such Banks, and such persons, should be opposed to any thing like a check or regulator. But these persons are not the people. They are not even the majority of the borrowers at their own Banks. It will generally be found that Banks thus over urged, are so by a small number of large borrowers—persons of grasping, monopolizing views, distinct from the numerous class of small traders, to whom Banks, in general, are most useful.

Banking Institutions, satisfied with business to the extent of their means, and never issuing bills or obligations beyond their ability to redeem, have nothing to apprehend from the restrictive operation of a National Bank. No more than an individual who never signs a note, or contracts a debt, beyond his ability and inclination to pay, has any thing to fear from the process of the law. A National Bank, in checking the issues of State Banks, can go no farther than calling upon each to pay its own debts; and this is no more than they are bound, upon every principle of justice and equity, to do. But this, the objectors may say, is just what they wish to provide against. Our Banks, they may say, are not always able to pay their notes; and when this is the case, they do not wish their inability to be known. If they cannot pay, the longer they can keep their weakness concealed, the better for them and for us. We shall be able to borrow so much the more, and so much the longer, without being called upon ourselves, and betraying our weakness.

But what have the people, especially the laboring classes, to do with objections of this kind? Suppose that of seven hundred and fifty Banks in the United States, five hundred are conducted in this way; and that of these five hundred, fifty of the directors and customers of each, urge the objections above alluded to. Here we have, in all the United States, twenty-five thousand persons objecting to a certain public institution, because it interferes with their private interests; while on the other hand, there are more than fifteen millions of persons whose interests imperatively require the establishment of this very institution.

Let us suppose a case. A few persons, having a powerful influence with certain Banks, enter into a speculation in wheat, flour, &c. They

buy up these articles as far as their ordinary means, and credit, will extend. Having bought, in the first instance, in expectation of a rise, they must now buy to make their own expectations good. There is no National Bank to operate as a check upon other Banks. These institutions are, therefore, abundantly liberal. Credit is unbounded. Most of the bread stuffs of the country are bought up, or are in the hands of those who think they may as well profit by what is going on, as the speculators themselves. The warehouses of the city are full, as well as the granaries in the towns and villages; and multitudes of stacks of grain are to be met with all over the country. Still there is a great talk of scarcity, and almost a famine is apprehended. But the higher the prices rise, the higher these holders expect the prices will rise. Every thing now depends upon the Banks. There is yet some months before another crop can come in. As long as the Banks do not call upon the borrowers, these borrowers will not be obliged to sell any part of the stock they have accumulated. The distress with the poorer classes increases—the prices of wheat, and flour, and corn, are doubled—but speculators are not obliged to sell, and therefore will not sell. Riots ensue, and even the warehouses are sacked by the populace for bread.

In the midst of this state of things, supplies come in from abroad. Our speculators cannot control the foreign market, as they have done their own; a different class of sellers spring up; competition takes place, and prices fall. Speculators and other traders are ruined; and even the farmer, who has been hoarding up his crop, is obliged to sell at last at less than the ordinary price, with the loss perhaps of a year's toil and pains and anxiety, in attempting to sustain a monopoly. Thus we find the distress of consumers, and the ruin of speculators, and the heavy loss of others, all originating with the too abundant liberality of a few *unrestrained* Banking Institutions. Had the Banks in question been otherwise situated—had they been subject to the check of a National Bank—these speculators could not have counted upon such extraordinary facility. This monopoly of bread stuffs would not have taken place, the trader would not have been ruined; the farmer would not have been subjected to loss or inconvenience; and the poor would not have been distressed for the want of bread. The case supposed, is but an example of many of a similar character, all tending to show the necessity of a National Bank, to protect the mass of the people, as consumers, from extravagant prices—and even to protect the reckless or imprudent speculator against himself.

There may be other Banking Institutions, though few in number, with which there is a further objection to a National Bank.

As it is advantageous to every Bank to increase the number of its depositors, so it may be desirable with any of them to become the agents of government, and thereby to obtain a share of the public deposits, and a share of the government circulation.

A large proportion of the State Banks are not so situated as to expect these privileges; but some may expect them, so long as there is no National Institution established for this purpose. When a National Bank is in operation, the moneys belonging to the nation, or what are called the government deposits, are placed of course with that Bank, or with its Branches. These Branches receiving the funds of government wherever collected, and paying the debts contracted by government, wherever due, have the opportunity of putting into circulation the bills of the Bank, as well as the

advantage of discounting upon a proportion of the government deposits at any time on hand.

If there be no National Bank, these public moneys, unless the hard money system be adopted, will be distributed amongst certain State Banks, affording them the opportunity of using the government funds, and of issuing their own bills in payment of government debts—increasing their circulation, and augmenting their ability to lend to their particular customers. The stockholders of such Banks may be benefited by the increased profits of their institutions, provided this money be employed with good faith, and loaned on good security. The officers will be benefited by the increased business and greater popularity of their institutions; affording them better salaries, and procuring them greater influence with the community. The directors and large borrowers of these Banks will be benefited, as they think, in proportion as the loan of these public moneys is divided amongst them. It is perfectly natural for persons thus interested, to be opposed to the establishment of a National Bank; but how many persons are there of this description throughout the country?

Without a National Institution, for receiving, keeping, and paying the public moneys, this charge might devolve upon one, two, or three Banks in each State. We may suppose, therefore, fifty Banks to be thus privileged, in the whole country. Many others may aspire to the appointment; but of the whole eight hundred Banks in the United States, not more than fifty can have in reality this interest at stake. To each of these Banks we may allot one hundred persons—officers, directors, and heavy borrowers—who may be supposed to divide the spoils between them; for smaller customers will scarcely perceive the difference, in the accommodation they obtain. There are, then, five thousand persons, in the whole nation, who may be supposed to have a direct interest, of the kind here alluded to, in opposing the establishment of a National Bank. These persons will maintain that a Government Bank, or a Fiscal Agent, of any kind, is unnecessary. Their Banks can keep the government deposits, and receive and pay out the public moneys; and they will do it without asking a compensation? These persons may be loud talkers, and stirring politicians, because their private interests excite them to action. But what is the interest of these five thousand persons, or even fifty thousand, if there were so many, in comparison with the opposite interest of the seventeen millions constituting the whole population of the country.

As to the stockholders of these fifty Banks, experience, as well as common sense, shows us that wherever, and whenever, a Bank has a larger amount of money to loan out, than its position in the community renders expedient, extraordinary hazards are incured; and it is the stockholders who have to take these hazards. Where a local Bank has a large amount of public moneys to loan out, its bad debts more than equal the extra amount of interest collected. The interest of the permanent stockholder is, therefore, decidedly opposed to the enjoyment of any extraordinary powers on the part of the conductors of his institution: for his whole investment may be swept away, or nearly so, by the too great facility with which borrowers are accommodated.*

* We say the permanent stockholder, because, as to the mere contractor to buy or sell stocks, it may be as much for his interests at one time to ruin an institution, as at another to promote its success. He contracts to deliver stock at some future period at a certain price, it is then desirable for him to injure the institution, in its circumstances, in its character, or both, in order that within the appointed time he

There may be other Banks in some parts of the country, having suspended specie payments, without a prospect of ever being able to resume them, which enjoy a credit from the mere circumstance that, as none of the surrounding Banks pay specie, the difference between those having means, and those having none, cannot be tested. The introduction of a National Bank would speedily make this difference known ; a better paper currency would be introduced, to which their own circulation must give place ; their deposits would be withdrawn, and their affairs would necessarily be brought to a close. The customers of these Banks very naturally argue, that if the institutions to which they are in debt are constrained to close their concerns, the accommodation they have hitherto obtained must cease, and they themselves must liquidate their affairs, and perhaps betray their own insolvency.

On the other hand, there may be some individuals connected with specie paying Banks, who presume upon the superior solidity of these establishments—calculating that the more confusion and uncertainty there is in the paper currency generally, and the greater the want of confidence in other institutions, the greater the advantage resulting to their own. Such persons have no objection to the rigid action of a National Bank. They wish to see all weaker institutions taken out of the way. The smaller the number of Banks remaining, the better for them. They favor, therefore, the passage of a National Bankrupt Law, to act upon all State Institutions. Something that will destroy without building up—something that will remove one kind of competition, without substituting another in its place. The proposition at the same time meeting the argument in favor of efforts for a National Bank, that something must be done ; while it opposes these efforts by making, what might be called in military tactics, a skilful diversion. Even statesmen, from portions of the country where Banks enjoy the highest credit, may make similar calculations ; but these are not calculations for the general good. They are local and individual reasons, operating either very partially, or only with the few. The question the *people* have to consider is, how much these local and individual objections are to weigh, when balanced with the interest of the whole nation.

may purchase the stock he has to deliver at a price so much lower. Such an individual compasses sea and land to obtain his object, and if, perchance, he has engaged in this manner to deliver the stock of a *National Institution*, however convinced he may be that its existence is essential to the welfare of the country, he will join any party in destroying it, in order to make a few thousand dollars upon his contract, and this object being accomplished he must afterwards maintain his representations with pertinacity in order to justify the course pursued. Certainly the interests of such persons are not to be taken into consideration in weighing the advantages to the country of a National Bank.

NOTE.—Amongst other objections to a National Bank it has been urged that it is a *Monopoly*,—an objection already partially noticed, [Sect. V. Part II.]

The only view in which it can be thus considered, is that of its being the depository of the public moneys, and its acting as the Fiscal Agent of the government, in which capacity it may be said to monopolize the advantages incident to the discharge of its peculiar functions.

In this respect the National Treasury may be called a monopoly, for the Bank is only the agent of the treasury, with the difference that by means of its numerous Branches it diffuses the use of the public funds over the whole union ; while it guarantees the treasury from any loss resulting from their employment.

The opposite of a monopoly is sometimes equally participated in by all. To avoid any monopoly of the advantages in question, the use of the public moneys must be equally divided amongst all the citizens. For if any number of these citizens less than the

whole, enjoy the privilege of paying and receiving the public funds, this number must possess a monopoly. But the state Banks say "This is absurd—*we* ought to be the depositories of the government money." In that case the state Banks will possess a monopoly; and as there are eight hundred or one thousand of these Banks, they must all enjoy an equal share of the public moneys, or else there will be a monopoly by some, not enjoyed by the others. Is the use of the public treasure then to be divided amongst these eight hundred or one thousand Banks? This again, it will be said, is absurd. Suppose we select two Banks in each state: making about fifty state Banks, agents of the government. These fifty Banks will then enjoy a monopoly of these privileges, whatever they may be. In such case, will not the other seven hundred and fifty Banks have reason to complain? A monopoly of some kind, therefore, we see in the nature of things is unavoidable. The question then is whether it be not better to give it to a National Bank,—chartered by Congress,—paying a *bonus* to the Nation for its privileges,—accountable to the nation for its conduct,—possessing ample capital,—acting through its branches in all the states, and yielding to the nation a portion of its profits—than to give this monopoly to a certain number of state Banks, or banking associations,—paying no bonus to the nation,—not being accountable, or amenable, to the national government,—having insufficient capitals, not responsible for each other, and yielding no share of their profits to the public treasury.

In the incorporation of a National Bank, the capital stock is thrown into the market, free for the subscription of all, its privileges being fully made known, and any one being permitted to subscribe for any amount, from one share upwards; whatever the monopoly may be, all have the opportunity of coming in for a share of it, who choose to do so—an arrangement as near to an equal distribution of privileges to every citizen as can be attained. On the other hand, if there be no such Bank incorporated, the public moneys, unless locked up in *sub-treasury vaults*, or something of the same kind, must be distributed at the will of the President, to such Banks as he may see fit to favor, thus, in fact, enabling this officer, whoever he may be, to grant a monopoly to whom he pleases—which, in fact, would be the result, although the operation may be indirectly performed through the Treasury Department, and the grant made to certain incorporated state institutions.

The use of the public moneys cannot be divided amongst all the citizens, nor shared amongst all the State Banks. It cannot be given to any number of Banks without giving reason to others to complain. It cannot be left at the disposition of the president, without giving him a monopoly, and thus endangering the liberties of the country; and it cannot be locked up in sub-treasury vaults, or in the vaults of a Fiscal Agent, without the loss of so much useful capital to the nation, and proving a monopoly of the worst kind. If then, a National Bank be a monopoly, it is certainly less exceptionable than any other.

Let the people enquire who it is that complains of this monopoly. They will not find that they themselves have any reason to make this complaint. They will not find that a large majority even of the Banks, look upon the matter in this light. But they may find that certain individuals, and certain Banks, are forward to cry out against a *National Bank*, as a monopoly, because apparently it keeps, as they suppose, the money of the nation from coming under their own control.

SECTION V.

Objection arising from a supposed hostility of the PEOPLE *to a National Bank, and to all Banks.*

We have now taken a view of the several interests opposed to the establishment of Banks generally, and of a National Bank particularly.

We have seen that it is only the rich money lender, or his agent, who can have a *real* interest opposed to the operation of Banks. The rich man may naturally wish to monopolize the business of lending money: and the agent may wish all borrowers to obtain the supply of their wants through him. If it be found, in fact, that neither the rich man, nor the agent, do object to Banks, it is because they have long since learned that their opposition would be entirely useless. They, therefore, are obliged to conform to the existing state of things, the one investing some of his

spare funds in stocks; and the other dealing in stocks, instead of dealing in the lending of money.

We have seen it to be the interest of the people, especially of the laboring and enterprising classes, and of all consumers, to promote the establishment of Banks, *properly regulated;* on account of the *real* capital, they are capable of bringing into market; and on account of the effect of their competition in keeping down the rate of interest. On the other hand, we have noticed some of the disasterous consequences of a want of this *proper regulation;* as it is exhibited in the creation, expansion, and sudden dissolution of *fictitious* capital; and we have seen in what manner a *National Bank* is calculated to effect, and to maintain the regulation required, so as to preserve to the country all the advantage of the local Banking System, without the hazard of its abuses.

We have been thus led to search for the interests, supposed to be in opposition to the establishment of a national institution apparently so desirable.

We have seen that rich money lenders, and their agents may have the same interest in opposing the establishment of a National Bank, that they have had to the operation of all Banks. They want nothing to keep down the interest of money, or to bring more real capital into market.

We have seen that dealers in Bank bills, and in domestic exchanges, do not want a national institution; either to bring all these bills to a specie standard, or to bring the exchanges as near as possible to a level.

We have seen that the state Banks may be opposed to the establishment of a National Bank of discount with Branches:—

1st. On the general ground, that it is not for their interest to have such an institution coming into competition with them.

2nd. That many of them may be opposed to any measure restricting their own issues, and limiting their operations.

3d. That some of them may have the expectation of being themselves the agents of government, and of having the use of the public moneys, so long as no National Bank is incorporated.

4th. That some of them may be actually insolvent, and if so, they may object to a National Bank, because its operations will tend to lead them to a more speedy liquidation of their affairs.

5th. That others enjoying a reputation for superior solidity, may be said to reap a harvest from the want of confidence under which more feeble institutions are laboring.

We have seen that, of these State Banks, the officers, directors, stockholders, and many of the customers may all be supposed to have a common interest, connected with that of their respective corporations, in opposing the establishment of a National Bank. Many of them having really no objection to such an institution, provided its powers be restricted in that particular, which may have a bearing upon their respective concerns; while others, secretly opposed to such an establishment, on account of its interference with their speculations, and its apprehended dimunition of their property: in theory at last, admit the necessity of a National Bank for the public welfare; and content themselves with throwing only such obstacles in the way as may preclude, for the present, the possibility of its going into effective operation.*

* There are many individuals who do not openly oppose the establishment of a National Banking Institution, but their influence is employed to defeat every measure calculated to give effect to its operation. They are advocates for such an act

In all this examination, there has not appeared a single objection, either to the establishment of state Banks, properly regulated, or to that of a National Bank, properly incorporated, which can be traced to the interest of the *people*—that is, to the interest of the mass of the whole nation; nor does the examination itself suggest the possibility of such an objection. On the contrary the laborer, the mechanic, the small trader, the artizan, the farmer, the manufacturer, the merchant, all of small capital, and the whole multitude of consumers, have a direct and imperative interest in favor of State Banks, and of a National Bank, and of a National Bank especially, in order that the State Banks themselves may be regulated and sustained; that all their usefulness may be preserved to the community, while the evils attending any abuse of their powers are properly guarded against.

How then is it, that, for the past few years, a certain opposition to Banks generally, and to a National Bank in particular, is supposed to have been made by the People of the United States? The people of a country, the circumstances of which call more particularly for the aid of these institutions, and to the circumstances of which this aid is more peculiarly adapted than it is to those of any other country? How is it that this opposition has been supposed to be *popular?* What interest have the *laboring classes* in this opposition? How is it that a National Bank, and that even all Banks, have been decried, by those who profess themselves the mouthpiece of the people? How is this, when of all institutions, Banks are most decidedly of a democratic character; and of all Banks, a National Bank has more claims for popularity on the poor, than on the rich; upon the industrious and enterprising operative, than upon the large capitalist, and great money operator, or ambitious speculator.

To explain this mystery, for such it is, we must suppose a case, by way of illustration.

We suppose then a state of things, in which there are three or four hundred State Banks scattered over the United States, we suppose at the same time a National Bank of discount and deposit, with Branches in the

of incorporation as will either nullify the powers of the proposed Bank, as will so strip it of privileges, as to prevent the subscription to the stock necessary to carry it into operation. From those who possess, or hope to possess, the use of the public deposits, and the advantages of the government circulation, there is no quarter to be expected. They object even to the establishment of a *Fiscal Agent*, as much as they do to a sub-treasury system. Others, having no expectations of this kind, admit, as a matter of theory, the necessity of a National Bank, provided it be strictly a *Government Bank* as they term it, confined to the duty of receiving, holding, and paying out the Government moneys. For then it can act no more than a sub-treasury system upon the paper circulation of the country. Or, they will not object to a Government Bank, provided it be not allowed to discount notes, because in such cases it will obtain no private deposits, and will issue its bills only in payment of government debts: which bills it must soon receive back again in payment of government dues. It will then neither come into competition with other Banks, nor interfere with their circulation. Some are willing to have a National Bank provided its capital be small, because with a small capital distributed over an immense country its competition with other institutions must be feeble, and its operation on the currency of little importance. Others are willing to have a Bank provided it has no power to establish Branches; because they trust to the legislatures of their own States, to exclude those branches from sections, where, perhaps, they are most needed, and thus exempt their own Banks from the required action of such an institition. Others would limit the extent of dividends, or the power of discounting, or the rate to be charged on bills of exchange; because they know that the more the Bank is hampered in this respect, the less probability there is that the stock will be taken up, and so long as it is not, they will be able to keep things as they are.

several states, to be in operation; and the exchanges between the most distant points of the country, including the differences in the value of the paper of these several Banks, to be brought so nearly to an equality, that the greatest difference may not exceed one per cent.

We suppose these State Banks of course to be all paying specie for their bills; and the National Bank, with its Branches, so operating amongst them, that no one of them can extend its issues beyond a certain limit, without having the surplus of its bills brought back upon it with a demand for specie.

We suppose this operation of the National Bank, tending as it must, to keep the State Banks within certain limits, to prevent them from lending their money so freely as they might otherwise do; and consequently, to cause occasional disappointments to their directors, and inconvenience to many of their heavy borrowers. The rigid operation of such an institution bearing hard on some individuals, in some instances, although

"It is a wholesome rigor in the main."

Wherever a Branch of this Bank is established, we may suppose it to be looked upon by other Banks in its vicinity with no very favorable eye. It is a stranger, a sort of interloper, but worse than all, a regulator, and who—

"'Ere felt the halter draw
With good opinion of the law?"

Accordingly in such places, the Bank is an unpopular institution: not with the people, or with the laboring classes, for they have nothing to do with it; but with those immediately connected with the local Banks, restricted by it in their operations.

Wherever a *Branch* may be located, too, as the Parent Board is in another city, we may suppose it to be regarded as belonging to that city, rather than to the place in which it operates, thus giving occasion to some local invidious comparisons. At any rate, it is a competitor, and were it out of the way, other Banks in the place would have more deposits, a larger share of the circulation, and do a better business.

The Branch too, not only operates upon the Bank in its own vicinity, but these Banks being again thus acted upon, operate upon other Banks throughout the state, and throughout the surrounding country. Whatever inconvenience therefore may be suffered, from the occasional wholesome and proper check received by some of these Banks in their disposition to expand, the odium is thrown upon the National Bank.

We may suppose one of these Branches to be located in a large and powerful state, in which there may be perhaps nearly one hundred other Banks, established in the principal towns or counties. The influence of these Banks may be supposed to be in proportion to the number and wealth of their directors, stockholders, and customers; and to have a powerful effect in carrying any of the elections of the state.

The Branch Bank in question we suppose to be in a city, on the seaboard, where a large part of the national revenue is collected. The average amount of this revenue on hand, from the peculiar circumstances of the time being immensely large; and the reasoning being very natural, that if there were no such Branch in the way, the advantage of the whole of these public deposits would be enjoyed by some of the state Banks. We may suppose some of these state Banks to have special

reasons for expecting this peculiar favor, provided the existing National Bank could be divested of its chartered privileges. In this event, the efficient conductors, and heavy borrowers of these institutions, would come in for an increased amount of accommodation.

Reasons of this kind operating together, render the National Bank throughout the country, particularly obnoxious to a ceriain class of very influential persons; and this especially, in the city and state alluded to. This class of persons we may suppose, to belong to the ruling party in political matters; and to have the advantage of possessing in a peculiar manner *the ear of the people*. Of course their electioneering influence must be of the last importance.

Suppose also, at this time, a number of persons to be resident in the capital of the state; whose position at the seat of government, together with their high standing and reputation for wealth, renders them peculiarly powerful with the executive and legislative departments. These persons have a large interest in banking institutions, and their past success encourages them to believe that they may further advance their fortunes by a certain monopoly of state banking power. Accordingly, scarcely a charter for a moneyed institution is to be obtained without their consent, while the control they have over numbers of state institutions, from the influence they are supposed to possess at the seat of state government, enables them to perform a very important part in promoting the designs of any candidate for political preferment. The interest of these persons, and of their friends, in local Banks, in different parts of the state, and their desire to give the operations of their institutions free scope, begets in them a sort of hostility to the existence of a National Bank; as well on account of its regulating action on other Banks, as on account of its enjoying the use of the public moneys, which, but for this circumstance, might be elsewhere distributed. These persons have accordingly an object to accomplish, in return for which, they have a political influence to give. The same views, and the same circumstances, operating in a similar manner in other parts of the country.

We now suppose in this state, and at this period, an individual to have made his appearance, of considerable talent, and of great ambition. He has already distinguished himself in the councils of the state of which he is a native. He is a Senator: but he aims at becoming the chief magistrate of the commonwealth, and subsequently of the whole union. An honorable ambition. An object perfectly unexceptionable, provided the mode of its attainment be equally so. This person has also his purpose to obtain; and his influence to give in return, for the services he may require.

The continued operation of a National Bank, and even the enjoyment of its existing chartered rights, depending, from a coincidence of circumstances in a great measure upon the course pursued by this distinguished individual, in respect to it.

These two parties may be supposed to meet. The object of one, is the attainment of wealth, through a combination of banking operations; that of the other, is the attainment of the highest honor in the gift of the people. The purpose of one party is to remove an obstacle to the unlimited action of its banking operations, and to obtain for its Banks the use of a portion of the public moneys. The purpose of the other, is to make use of the local banking interests and influence, to secure the gratification of certain political ambition. In other words, the wish of the

first, is to put down the existing United States Bank, and to prevent the incorporation of any other like institution. The design of the last, is to gain possession of the Presidental chair, by making *electioneering capital* of this local and individual opposition to a National Bank.

When two such interests call for co-operation, an understanding is soon brought about. Accordingly we may suppose it to be agreed, on the part of the candidate for the presidency, that every effort shall be made to deprive the existing United States Bank, as far as possible, of its privileges, and to oppose the continuance of such a corporation. On the other part, that every effort shall be made to elevate this distinguished individual in public office, until he arrives at the highly honorable position to which he aspires.

The plan is a feasible one. The same reasons, making the removal of the National Bank desirable with the State Banks of one section of the country, making it equally so with those of other sections. The *putting down* of the United States Bank, being popular with certain State Banks. These institutions, through their most active conductors, operate upon the mind of their customers, while the customers severally operate upon the minds of those dependent upon them, or with whom they have more or less interchange of sentiment. The borrowers of local Banks, being told that they cannot obtain all they ask for, on account of the operations of the National Bank, are easily led to look upon this institution as the greatest obstacle to their prosperity. They regard it as a monster. They describe it as such, to those around them. They invoke the aid of their friends and acquaintance, to put down the *monster;* and multitudes, having themselves nothing to do with Banks, are led to believe from these representations, that the existing National Bank is indeed something of a peculiarly destructive character; and that any other institution of the kind must be equally so. The public mind is thus brought into a state of inflamability, under an impression of the existence of some inconvenience of which the people in fact have never been in the slightest degree sensible. The whole spirit of hostility originating with comparatively a small number of persons, having a particular pecuniary interest at stake.

A point, however, is gained. A *watchword* is created; a powerful party is wrought upon to adopt this watchword; and the people—the laboring classes—are persuaded that their interests have been studied in the whole matter. The *downfall* of a National Bank now becomes popular with two very different classes at once. With certain bank directors and rich men, because the institution is supposed to interfere with their moneyed concerns; and with a portion of the laboring classes, and even of the poor, because this measure is supposed to promote the success of the political party to which they are attached. The people having been persuaded to believe this, by the very bank directors and rich men who have planned the whole campaign for their private purposes.

Opposition to a National Bank being now the measure of a party, there is a mutual action and reaction in favor of it. The watchword sustains the party, and the party sustains the watchword; and adopted, as it is, it now becomes the *railway* upon which the Presidential candidate alluded to, is to hazard his career.

Some difficulties, however, remain to be removed. There is still a very general persuasion in the public mind, that without a National Bank, the bills issued by the several State Banks will be so rapidly multiplied, as unavoidably to be followed by a depreciation of their value—that the

issues of some Banks will become so large as to render the holding of their paper unsafe for the public, and in case of their insolvency, to being an undesirable odium upon the reputed instruments of the general calamity.

To meet this difficulty, a friend of the Governor's (for the fortunate Senator may now be supposed to have advanced thus far in his projected career) suggests the plan of obliging each of the Banks of the State to contribute annually a certain amount, to meet the defalcation of any Bank becoming insolvent. Able, sound, and well conducted institutions, are thus to provide for the deficiency of the weak, unsound, or badly conducted. Banks best deserving of credit, promoting the circulation of the bills of institutions least deserving of confidence; and this, too, at the expense of good Banks, which, by the same measure, lose the benefit of so much circulation of their own. The injustice of the principle is evident; but the anxiety of some persons to establish new Banks, and of others, conductors of Banks, whose charters are about to expire, to retain their position, induces them to accede to the proposition. In truth, there is no alternative. The measure has been resolved upon in conclave, by those without whose consent neither a new act of incorporation can be obtained, nor an old charter renewed. A *Safety Fund* is thus proposed to be introduced for the operation of a National Bank, the essential difference consisting in this, that whereas the tendency of a National Bank is to restrict the operations of other Banks, each to its proper limit, in proportion to its strength, the tendency of the *Safety Fund* is to uphold and extend the operations of the institutions having least ability and credit of their own. The superior ingenuity of the contrivance, however, is much lauded; and it is even seriously suggested, that if all the Banks throughout the United States, would thus contribute to sustain the credit of institutions unable to sustain themselves, there would be no need of a National Bank!

Meantime the distinguished individual already alluded to, has made another step in the career of political advancement. He is now, we are to suppose, Vice-President of the United States. The sphere of his influence is transferred from the capital of his own State, to that of the whole nation. He is within a step of the object of his ambition, but the most arduous part of his engagement is yet to be performed; and his success is not secure without obtaining the ear, and the good will, of the actual incumbent of the Presidential chair. The popularity of this incumbent, at the same time, being so great as almost to confer upon him, in effect, the nomination of a successor.

Here are two objects to be attained. The Anti-National Bank party is to be satisfied, and the favor of the ruling Chief Magistrate is to be gained. To unite these two objects, however, is not a difficult task; part of the popularity of this Chief Magistrate, amongst the advocates for the unlimited freedom of State Banks, taking its rise from his supposed hostility to this, with them, very unpopular institution.

The President we may suppose to be a man far advanced in age, of strong passions and prejudices, and of more military than financial talent; one who has never been convinced of the necessity of a National Bank, or of the advantage of a well balanced Banking System—perhaps having never entered into a practical examination of the subject. Possibly he may have, too, some old grudge against the conductors of the existing Bank, whose political views he believes to differ from his own. He is fond of glory. The Bank is represented as a *monster*. The destroying

of such a monster is set before him as a Herculean task—a work, the achievement of which will hand his name down to posterity, with the same kind of renown as that gained by certain heroes of antiquity, so remarkable for ridding the earth of serpents, dragons and hydras.

The jealousy of the aged chieftain, perhaps, too, may have been roused by an artful suggestion of the inquiry—which is the greatest man, the Head of the Nation, or the Head of the National Bank? He is made to believe that he ought to have the nomination of the principal officers of the Branches—that his influence over the institution *should* be such as not to permit of a separation of the purse and the sword; and his wishes being thwarted in this respect, in one or two instances, he is persuaded that the disappointment arises altogether from the personal hostility of the enemies of his *glory*. He is thus, as it were, by an almost magical and unseen hand, led to vow eternal hatred to the Bank; as the child of the Carthagenian was led by its parent to swear eternal enmity to the Romans.

The charter of the Bank is about to expire. An act renewing this charter passes both Houses of Congress; but it receives the President's *veto*. He has *Constitutional scruples* against the incorporation of a National Bank, at the same time he has a plan in his pocket for making one after his own heart—a plan of which we may suppose it to be known at least, that it never could be passed by an American Legislature. This opposition of the President, sustained as it may be; by the influence of certain State Banks, and of those whose private interests are opposed to any National Bank—forbids the expectation that the institution actually in operation, will be allowed a new term of existence, or that any other of the kind will be permitted to go into operation.

But this is not enough; the institution still performs its most useful and important functions—that of restricting and regulating the issues of other Banks. The conductors of some of these Banks, finding this operation more and more an obstacle to the accomplishment of their enterprizes, are impatient of the restraint; the managers of others are equally impatient for a division of the use, and perhaps of the abuse, of the large amount of public money, known to be in possession, on deposit, or so coming into possession, of the United States Bank. Perhaps at this juncture, the enjoyment of such an advantage is the greatest crime of which the Bank is considered culpable; at any rate, by divesting it of this privilege, two purposes are accomplished. Its salutary operation on other Banks is crippled, and the spoils are divided among the victors. We may suppose, accordingly, representations to be made to the head of the nation, that the removal of the public deposits from the National Bank to certain other Banks, however unjust it may be admitted to be, will be a *popular* measure. We may suppose, for example, a letter to be written signed by some twelve or fourteen bank directors of one or two of the principal seaports, expressing this opinion, and purporting itself to be the *voice of the people*, as if the *people* had had any thing to do, either with the letter, or with the views of its signers.

The idea of popularity thus suggested, and the reputed splendor of glorification attending the destruction of a monster, induced the veteran chief to take upon himself the responsibility of carrying out the views of those who thus make him the instrument of their purposes.

His first step, however, is to accomplish his designs legitimately. The public treasure is believed to be, as he represents it, unsafe in the Na-

tional Bank. A friend of his own is appointed by the Treasury Department, to examine into the affairs of the Bank. Contrary to expectation, he reports his conviction of the soundness of the institution, and of the perfect safety of the government funds. A committee of investigation is appointed by Congress; the result is the same. The public moneys are pronounced to be safe, and the removal of them on the score of security is necessarily relinquished. The Secretary of the Treasury is applied to. He demurs at sanctioning a proceeding so much in derogation of his duty as a public officer. The Cabinet are consulted. The Cabinet cannot be brought into the President's views, and all the heads of departments having come in as a *unit*, are obliged to go out as a *unit*. A new Secretary of the Treasury being appointed, he also is called upon to remove the public moneys from the place of deposit assigned by law—and he, too, gives his reasons for refusing compliance with a requisition, as uncalled for by the circumstances, and as unjust towards the institution, as it is inconsistent with a faithful performance of his public duties. He is obliged, of course, to resign. Another Secretary is appointed, and this time, we may presume, with the express understanding that he is to perform the act required, right or wrong. He becomes, then, the tool of arbitrary power, and is rewarded, perhaps, for his subserviency, and gross violation of every principle of equity, by an appointment to the highest seat in the judiciary of the nation—a seat designed only for those most distinguished for independence of spirit, and for a scrupulous adherence to the dictates of justice.

The government moneys we may now suppose to be removed to certain State Banks, replenishing the pockets and favoring the speculations of the knowing ones, who have, as it were by the aid of a magician's power, or a Harlequin's wand, effected this important transposition.

Here is an admitted *abuse of power*, to be sheltered only from the indignation of the people, by taking refuge in the unpopularity of the party wronged, and by summoning to the aid of the wrong-doer the private interests benefited by this most egregious breach of public faith. The minds of the people, therefore, especially of the laboring classes, are to be prejudiced not only against the Bank, but against any National Bank. A certain act of wrong is required to be done by those in power, as a condition of being sustained themselves; and a clamor is raised amongst the people by these wrong-doers, against the injured party, in order that the people may not examine into the character and causes of the acts.

The people might inquire, why the public treasure was removed from the place of safety appointed by the law; and if they did inquire, they would find that it was not because *their* interests were consulted. They might inquire, for whose benefit it was that these moneys were removed to other Banks; and if they did inquire, they would not find that it was for the benefit of the *people*, or of the *laboring classes*; or even for the benefit of any very large number of citizens. They would find the whole advantage gained, to be divided amongst a few of their most wealthy fellow citizens. They would not find that this removal of the deposits was to benefit the poor; it could only benefit the rich.

The people might ask, too, why the United States Bank was thus dealt with, or why any National Bank met with so much opposition, and they would find that no reason could be furnished, with which *they* had any concern. They might inquire amongst themselves, which of them could trace any loss or inconvenience to the operations of a National Bank—

and they would not find that they had either individually, or collectively, any cause of complaint. On the contrary, they would find that so far as their interests were concerned, they were essentially benefited by the institution. In a pecuniary point of view, by the sound paper currency secured to them through the restraining power of a National Bank upon other Banks—and in a political point of view, by the security it afforded to their liberties—restraining the Executive arm of government, by its separation of the power of the purse from that of the sword.

The people would find the only grounds of complaint to be those connected with the immediate interests of comparatively a few Banks, and of comparatively a very small number of individuals; individuals, too, whose circumstances were not such as to call for the aid or sympathy of the nation.

To prevent the people from making these inquiries, and these discoveries, a HUE AND CRY is industriously raised against a National Bank, as if the people had been already convinced that such an institution was not even entitled to the protection of the laws.

But why, it may be asked, has there been a *popular* objection, as some have represented, throughout the country, not only against a National Bank, but against all Banks? Why have the conductors of all Banks been stigmatized by *professed* organs of the people's voice, as *Bank Barons*, and the bills of all such institutions, as *Bank rags?*

Since the establishment of a well-regulated Banking System is so eminently beneficial to the people, and to the working classes, how is it they have been led to believe it to be for the interest of the rich to sustain the Banks, and for the interest of the poor to abolish them: and hence, to consider any effort in favor of Banks, (State or National,) as a contest of the rich against the poor? How is it that the people, or any of them, especially of the laboring classes, have been led to denounce the whole credit system, when it is especially the poor, and not the rich, who need credit, and when credit is most beneficial to the working classes, the industrious, and the enterprising?

To understand this matter, we must suppose our case a little further.

We suppose, then, the object of the State Bank party, as before hinted at, to be attained.—The United States Bank, with its Branches, is demolished.—Its doom is sealed, and a guarantee is given that no other is to appear in its place. It is even prematurely deprived of its peculiar powers. The goverment deposits are removed, and it is no longer an agent for receiving and paying the public moneys. Its conductors, and its shareholders, or those who manage for them, finding no hope to remain of its resuscitation, procure its conversion into a STATE INSTITUTION. It ceases to operate either in regulating the issues of other Banks, or in equalizing the currency. In fine, it becomes itself one of these very State Banks, which need so much a National Regulator.—With this difference, that its enormous capital, and the unusual license of its *State* charter, make it now not only a MONSTER, but an unchained monster, amongst the other moneyed institutions of the country.

The State Banks, released from their former restraint, freely issue their bills. They accommodate each other, and each accommodates its particular circle of borrowers. Loans are made with the greatest facility, although not always with the greatest equality or prudence. Some customers being much more favored than others. Money appears to be abundant;

and in proportion to its abundance, the demand for it increases;—prices rise, and high prices require more means; for if prices be doubled, it requires twice the amount of capital to purchase the same quantity of merchandize, or of produce. High prices, too, foster the spirit of speculation, for the mere circumstance, that they have risen, generates the belief that they will still rise. Meantime, all who have influence with the Banks, use this influence to the utmost. Every director of a bank is treated with liberality by his colleagues, because each of these colleagues expects to require the same liberality in his turn.

But this is not equally the case with all Banks, nor in all parts of the United States. In the old states there is more real capital already accumulated; it is more equally distributed, and there is comparatively less opportunity for using it to advantage. Along the Atlantic border, therefore, the Banks, especially to the north and east, expand less than they do in the new states. Towards the south and west, capital seems to promise greater profit; there, too, there are more of the adventurous and enterprising, who need capital; and there, accordingly, the Banks are more urgently called upon; while different interests combine in prompting them to yield more freely to the applications they receive. Where there is less *real* capital, also, in proportion to the call for it, there is the greater tendency to the creation of something fictitious, to answer the same purpose, if it be only for a time.

In proportion to the increasing issues of the Banks, their paper money depreciates. If this were uniformly the case, the change would hardly be noticed;—prices would be said to rise; when, in fact, it is only that which represents value, which has depreciated. The Banks, however, being more liberal in some portions of the country than in others, we see that one paper dollar in one state, will not do so much as another paper dollar will do in another state; and we then begin to detect the depreciation in the value of the Bank bill. Some Banks having issued more bills, in proportion to the real capital represented, than they should have done, the consequence is, that each of these bills represents less real capital than it professes to represent. And the Banks in some states or sections of the country, having been led to pursue this course more than they have in others, the consequence of this, also, is that the paper currency of some sections of the country, differ in value from that of other sections,—a dollar bill of the Banks of one state, being really worth one hundred cents, in hard money; while that of the Banks in another state, may really be worth only ninety cents, hard money. Hence, if the government collect the public revenue, or the payment of the public lands, in the paper currency of some states, it must lose the difference arising from the depreciation of this currency, when it pays its own debts in other states. Besides, as there is no legal tender of payment except gold or silver, even the United States government cannot oblige any one, in any of the states, to receive payment for services, or claims, in anything but gold or silver. While, then, it might collect its dues in the depreciated Bank paper of a certain state, it would be under the necessity of paying even members of Congress from that state, as well as other public functionaries, in hard money. Not only this; if the citizens of some states may pay their duties, or pay for their lands, in the depreciated paper currency of their section of the country, while the citizens of others are paying the same dues in bank paper, equal to specie, the public burdens

are not equally distributed. The requisition of the Constitution that duties and taxes shall be equal in all the states, will not be complied with.

What is to be done? This derangement, and this difficulty, evidently arises from the want of a NATIONAL BANK. It will not do to confess the error; still less will it do to disappoint the expectations of those to whom the pledge is supposed to have been given, that no *National Bank shall be allowed to exist.* The only course to be pursued to save the treasury, and to equalize the public burdens, is to require the payment of all duties and purchases of lands, in *hard money.*

Here, again, is another difficulty. When the hard money is received, how is it to be kept distinct and seperate from the paper money with which it is surrounded? The silver and gold of the nation cannot be deposited in the Banks, for then the depreciated paper of the Banks might be paid out in return for it; and if Banks cannot be trusted to pay their own bills in specie, how can they be trusted with returning the government specie for specie, when called upon? Or how can they be expected to pay the checks of the government in silver and gold, when they cannot pay their own debts in any thing but depreciated paper.

In those parts of the country where the bills of the Banks have not depreciated, these questions may not be agitated; but if the funds of the government are deposited in the Banks of some of the states, and not in those of other States, here is a new cause of complaint, and a new ground for sectional jealousy. On the other hand, if the silver and gold of government be left in Banks, which pay out only their own depreciated paper, then these Banks enjoy an advantage of which other Banks are deprived, for they may buy up their own bills, at a discount, with the very specie funds which the government has extorted from citizens to deposit with them.

With the *hard money* system, then, what may be called a *sub-treasury system*, must be introduced. Government moneys, and government receipts and payments, must be separated; must be preserved from the contamination incident to mingling with the currency of the nation. The public dues must be collected in gold and silver in all the states, and when collected they must be kept in *vaults* and *safes*, also in gold and silver, till they are paid out in coin.

Here is a change of system evidently to be attended with great pecuniary loss, and inconvenience to the country. The withdrawal of government funds from all banks is a withdrawal of so many millions of real capital from daily use; and the receipts and payments of government being altogether in gold and silver, there is here further withdrawal of so many millions of real capital to be derived from this circulation, which might be also in daily use, if these receipts and payments were made in Bank paper; leaving the gold and silver to be employed for the purposes of trade. That such a measure should be unpopular with all of the Banks, and with all connected with them, was to be anticipated. That it should be so, especially with those Banks, or their conductors, who had been encouraged to look upon the public deposits, and the government agency, as part of the spoils of victory, for which they had labored, and to which they were entitled, is not to be wondered at. How, then, is such a course to be justified, defended, palliated? How are those who adopt it, to be shielded from the odium to which they must be inevitably exposed? Especially, how is this to be done without a confession of past errors?

The same step must be again taken as on the former occasion. The party aggrieved, must be misrepresented in the public eye. Popular prejudices must be excited against *all* Banks; all advocates of Banks must be denounced; and *all* Bank bills must be spoken of as "rags," mere rags. All efforts to obtain a wholesome Banking System must be again represented as a contest of the rich against the poor. It is thus attempted to give a certain tone to public opinion, to silence the voice of common sense. A tone which popular opinion, of itself, never could adopt; for perhaps no course could be pursued more calculated to make the rich, richer, and the poor, poorer, than that which we have supposed to have been so pertinaciously pursued, by those directing the efforts mad,—first, to the destruction of the National Bank; and afterwards, to that of all Banks.

The case we have imagined, is a difficult one indeed, for the sagacious manager, who, with a skill worthy of a better cause, may be supposed to have been pulling the wires of all this machinery. He has done his part, the monster is destroyed, the public deposits have been removed. Certain State Banks have enjoyed a monopoly of the government agency, at least for a time; certain political friends have had the use of government moneys: and He too has received his reward. By the aid of those who, from their connection with these state Banks, were led to yield him their best services, his highest ambition has been gratified. But he is still pledged to maintain the course he has pursued; that is, he is pledged, come what will, to prevent the re-existence of a *National Bank*.

The position however, in which he is placed, obliges him to use his power against the friends to whom he owes his elevation. There is no other alternative. A National Bank on the one hand, or a hard currency and sub-treasury system on the other. The last operates indeed more severely on the state Banks, than a National Bank could have done. But he must go forward. The same legal advisers formerly engaged in drawing up *special pleas* to justify a breach of public faith towards the late national institution, if they are now keepers of his conscience, may as dexterously show him how his own plighted faith to his state Bank friends may be preserved, while he is aiming a most fatal blow at their prosperity. They may show him, how a pledge to destroy the adversary of his friend, does not prevent him from destroying the friend also. His scruples are overcome. "He kicks the ladder down by which he had ascended,"—hoists the sub-treasury standard, and joins in the popular cry of his own creation: *Down with the Banks.*

When the government deposits were removed, as we have supposed, from the National Bank to other Banks; and when these other Banks were made, the agents of government for paying and receiving, there was a withdrawal of so many millions of dollars from one channel of circulation to be directed into other channels; producing distress in one case; and superabundance, for the most part untimely, in another. This may be supposed to have operated of course unfavorably, and hardly, upon the customers of the National Bank, and those dependent upon them, yet at least it may have been a subject of rejoicing with the customers of the other Banks. But when the hard money, and sub-treasury system is adopted, there is a withdrawal of so many millions, deposit and circulation, from active employment altogether. No Bank has the deposits, and no Bank gives out its bills in lieu of specie, in payment of public debts, consequently, there is here an entire diminution of the capital in trade, which

does good to no one. No one has cause of rejoicing at it, while the spasm which this contraction occasions, is a cause of suffering to all.

Not only this, when a *specie circular* is issued by government, requiring all its dues to be paid in hard money, the parties having to pay, resort immediately to the Banks for the specie required. The Banks have recourse to their customers, and the customer of the Bank falls back upon all who are in debt to him. The Banks, perhaps, apprehending more than they have occasion to fear, and not knowing who will pay, and who may disappoint them, call for three or four times the amount absolutely necessary, the borrowers of the Bank are equally alarmed, and press in proportion upon all indebted to them. As the pressure increases, disappointments, and complaints, and excuses are multiplied, and in proportion to these, confidence and credit diminishes. A *panic* ensues, and with the appearance of panic, all confidence disappears.

In the condition of unlimited extension in which we have supposed the Banks all over the country to have placed themselves, in consequence of their freedom from restraint; and with the increase of their numbers which may have doubled during the period in contemplation, it is easy to imagine the sudden, and almost universal insolvency into which the whole community must be plunged by such a panic, such loss of confidence, and such general embarrassments. A state of distress follows, in which all may be supposed to be convinced of the error in the administration of public affairs, by which this distress has been brought about. To meet the case, public opinion, or rather the opinions of a portion of the public, must be wrought upon: and it is for this end, that *this pretended* voice of the people is raised, and still continued against what are called Bank rags, and Bank barons.

We have supposed the preceding circumstances, in order to account for the manner in which a prejudice has been created in the minds of some, both against a National Bank, and against all Banks. This prejudice is called an *objection of the people.* Let the people judge whether it is their objection or not. Let the people judge for themselves, how nearly the circumstances detailed, resemble those which have actually taken place in this country within a year. And let the laboring classes especially enquire, what they have gained, either by the hard money currency, or by the sub-treasury system: and what objection they can now have, either to a National Bank, or to a well regulated system of state Banks, checked and balanced by a National Bank.

SECTION VI.

Objections arising from the management of the late United States Bank. Stock speculation—Fluctuations in trade—Expansion and reaction.

The partial distress occasioned by the sudden rise and fall of the stock of this Bank, soon after its first going into operation, in what has been called "the Baltimore Speculation," is alleged in proof of the abuse to which the powers of a National Bank must always be liable.

By the act of incorporation, the directors possessed the power of lending the money of the Bank upon the securities of its own stock. A few individuals taking advantage of this circumstance, engaged in a specu-

lation of buying up the shares, by borrowing of the Bank itself, to the extent of their purchases. The higher the price quoted in the market, the more money the Bank lent upon the stock; and the more money the Bank was known to lend upon this security, the higher the price rose. If the Bank lent the par value, purchasers were willing to give more than par. If the Bank lent twenty-five per cent. more than par, purchasers would give still more. Every one calculating, that by paying the small difference between what the Bank lent, and the price of the shares, he should make a profit on the whole amount of his purchase. If the stock rose five per cent., a thousand dollars in this way might procure him the advantage of this five per cent. upon ten thousand, being a profit of five hundred dollars, upon the one thousand cash investment. The speculation was commenced and carried on chiefly by some of the directors of the principal Branches, the Bank lending perhaps one hundred and twenty-five or one hundred and thirty upon its own stock, not really worth at the time, one hundred. If the Bank, however, lent so much, other persons would lend still more. Some, because they really thought the securities good, and others, because they wished to produce a certain effect upon the market. Private lenders, however, generally required some individual security besides the stock, to guard against a fall; but the Bank lent or may have been made to lend to some of its own directors on the security of the stock alone. The price of the shares rose to one hundred and fifty or one hundred and sixty. A few knowing ones, who sold out in time, made a profit, but at length the bubble burst. The Bank in some cases was left in the lurch, and sustained a heavy loss, and numbers of speculators, or rather stock-jobbers, with those who had unwearily placed confidence in them, were ruined. All this however resulted from an abuse of power, of which the directors of any banking institution, with the same privileges, might have been guilty. Similar mismanagement having indeed occurred in state institutions, as in the *conspiracy cases* in the city of New York, some years since. The difference being only this, that as the capital of the Bank was very large, these speculations were large, and the disasterous result in the same proportion. The whole, however, of this misconduct, with its consequences, might have been provided against, by a clause in the act of incorporation, now common in the charters of our state Banks, prohibiting the institution from lending upon the security of its own stock; at least from lending beyond a certain proportion of its par value.

In the getting up of moneyed institutions, there are always certain persons, who take shares, and seek to become directors, for no other purpose than that of speculating upon the rise of the stock. These *knowing ones* subscribe—talk much of the immense advantages of the institution—procure the insertion of newspaper paragraphs, to the same effect; and having created an imaginary value, sell out, resign, and care no more about the matter, except to pocket their differences. This perhaps they have a right to do, but the institution itself should not be made to become a party to their operations; and to provide against this, must be the care of legislators, in drafting the statute by which the Bank is incorporated.

The fluctuations in trade, during the twenty years term of the Bank, have also, by some, been charged to the management of its conductors. Very few however, urge this objection seriously.

There are certain fluctuations in trade, and in the money market, necessarily arising, as it is easy to perceive from the nature of things.

The manufacturer having sold his years' stock of goods to advantage, is encouraged next year, to manufacture a greater quantity. His neighbor does the same, for he has done equally well. The two have no understanding together, as to the increase about to be made by each. Members of any and every branch of trade may combine to restrict each other as to price; but they never restrict each other as to the quantity to be produced. The farmer may bind himself not to sell his wheat for less than he did the previous year: but he will not agree that his land shall not yield more wheat next year than it did the last. What is true of these persons, is equally true of all others. All having done well one year, are encouraged to manufacture or produce more next year, consequently this next year, there may be more goods than are wanted, and it is a losing year. All are now discouraged, and all again restrict their operations. And as manufacturers restrict their operations, the raw material, brought forward to meet their expected wants, proves to be too abundant. Thence follows a losing season for producers. So it is with communities, or nations. Three, four, or five years of good business, lead to a too rapid increase of engagements, on one hand, and of production on the other. The supply exceeds the demand, or the ability to remunerate, and then follows a period of embarrassment. Such changes we find have occurred in this country every five, six, or seven years. When they do occur, corresponding fluctuations take place in the money market. The pressure for money, however, or the want of this pressure, is the effect, and not the cause of these fluctuations in trade. The operations of a National Bank are no more chargeable with these changes, than the rise and fall of the mercury in the thermometer are chargeable with the changes of the weather. These fluctuations would have taken place had there been no United States Bank in existence; and the probability is, that the action and reaction would have been much greater, if, during the same period, the state Banks had not been checked in their issues, and in their disposition to expand, by the regular and inflexible action of a National Bank.

When the charter of the late United States Bank was about expiring, and the conductors of the institution were anxious to obtain a renewal of its privileges, they may well be supposed to have pursued a course calculated to render the corporation popular with the commercial public. They could not do otherwise. At such a time, it was to be expected that they would make their greatest efforts to accommodate all applying to them for aid, in order to furnish as little ground of complaint as possible. But, with all this disposition on the part of officers and directors, the Bank could not go beyond its proper limits. It was obliged to retain a certain amount of specie in its vaults; and was obliged to hold itself prepared for any demand made upon it. And this especially, with the knowledge that there were not wanting, those who were ready to put its strength to the test whenever an opportunity presented itself. Probably to the borrowers of the Bank, its liberality did not appear equal to their wants. Others, however, opposed to the institution, complain that it did at this time enlarge its issues beyond measure; and that it lent one year, some milllions more than it had ever done before. This being put forth as an objection: the power of such a corporation, enabling it, they say, to make

money scarce, or plenty, according as it may be expedient to influence the public mind for political or party purposes.

In reply to this objection, let us bear in mind that the proper business of a Bank being that of *lending money*, it is the direct, and imperative duty of its conductors, to keep every dollar of its available means employed, drawing interest as far as possible. The Bank ought to lend always as much as it can lend, and it can at no time do more. It would be absurd to suppose, that such an institution would keep several millions of dollars idle for a certain period, in order to make money scarce: and it is equally absurd to suppose that having lent to the extent of its ability, it could go still further in order to make money plenty.

Accordingly, if there were any time, when the directors of the late National Bank lent more than they did at another, it was not because their disposition to lend was greater; but because more was called for. If they lent less than their means, it was because less was called for: the opportunities for using money advantageously, not being so great or so numerous. It is to be remembered, too, that money is not always most plenty, when the Banks lend most. More money may then be called for, and obtained, from the Banks, because the prospects of profit are more encouraging. In such times, directors and others, who have most influence with their respective institutions, borrow all they can. Those who do not occupy the same favorable position will not be able to borrow so easily. The discount line of the Banks may then be larger than usual, while money with a certain class of borrowers, is much scarcer; and the rate of interest in the market much higher. So when a Bank lends less, it may be because privileged persons care less about borrowing. Others who have no particular influence with the institution, then borrow more easily; and money is said to be plenty, although the discount line of the Bank may be less than usual.

Whatever the disposition of the conductors of the late National Bank might have been they could not scatter its money amongst the voters at the polls, or amongst the people individually. Neither could they so order the circumstances of any, as to make them desirous of borrowing. The several Branches could only lend to those who asked; and those who asked, were only those who thought they could employ the money advantageously; and those who thought this, were led to it, at the period in question, by the peculiarly prosperous appearance of the times; prompting every one, as it did, to think that what was purchased one month, could certainly be sold the next at a profit.

Whatever the expansion of the United Sates Bank may have been at this time, however, it was no more than in proportion to that of all the state Banks. If the Bank lent twenty millions more than it had done at any previous time, this twenty millions was to be divided amongst twenty-six different states; and was after all equal only to about four or five per cent. of the whole amount loaned by all the Banks together. The great rise in prices at this period, could not therefore have been caused by the increased loans of the United States Bank; for this would not have justified a rise of more than about five per cent. Neither could this expansion have caused the expansion of all the other Banks; on the contrary, it is certain that the amount of state Bank loans would have been much more increased than it was, if there had been no National Bank in operation: the operation of the United States Bank on the other Banks, in the nature of the case, unavoidably tending to check the spirit of speculation.

In confirmation of this, we find that no sooner was this national institution taken out of the way, than the State Banks generally multiplied their loans, and were themselves multiplied in number, till the increase in the amount of Bank loans instead of twenty millions, was upwards of two hundred millions of dollars. The Banks in the meantime having nearly doubled in number.*

What then were the circumstances leading the United States Bank, as well as the state Banks, to augment its loans, about the time of its applying for the renewal of its charter? What led the customers of the Bank to call for an increased amount of discounts? As the expansion of the Bank was not the cause, but the effect of a spirit of speculation, from which the call for this expansion originated, what were the circumstances giving birth to this spirit; and by which it was particularly fostered at this period?

We have already noticed, that there always have been, and will be fluctuations in the demand for money, as in the demand for goods; proceeding from what may be called ordinary or natural causes. But there are also at times, extraordinary or artificial causes, combining with the ordinary, increasing the demand for money, and so increasing the discounts of the Banks.

For some years previous to the period under consideration, the circumstances of the country had been unusually prosperous. The currency was well regulated; the domestic exchanges were almost upon a level; the moneyed institutions of all the states, bore a character of almost unquestioned stability; and private credit was rarely impeached. The profits of capital had been liberal and regular; the inducements to borrow from the Banks, not from want, but from the prospect of pecuniary advantage, were sufficient to occasion a gradual increase of the demand for loans. Bank facilities were desirable; Bank capital was reasonably profitable; and its safety beyond suspicion. The public treasury was overflowing; and although there was a considerable amount of the National Debt unpaid, there were abundant means not only to pay the interest, but a great part of the principal. It was at the same time regarded by the capitalist as an eligible investment of his money, and the prospect of its being speedily paid off, was, with the holders, rather a subject of regret.

About this time, the destruction of the power of the United States Bank, to which we have before alluded, was determined upon, by certain parties having a peculiar interest in accomplishing this most injudicious

* By a report of the Secretary of the Treasury, of 3d of March, 1841, it appears that between the years, 1834 and 1836, while the United States Bank was closing its concerns, more than two hundred new state Banks went into operation. During the same period, the augmentation of the loans of all the state Banks together, was equal to two hundred millions of dollars; or about one hundred per cent. on the whole amount of loans and discounts of 1830, when a National Bank was in full operation.

In 1830, including the issues of the United States Bank, the amount of circulation was forty millions more than the specie in the Bank vaults. In 1837, *without* the United States Bank, the circulation was one hundred and four millions more than the specie in the vaults.

In 1830, the amount of bills out, and deposits in all the banks, was less than one hundred and sixteen millions. In 1837, the amounts of bills out, and deposits was something more than two hundred and seventy-six millions; no National Bank being then in operation. This estimate too being exclusive of banks and institutions with banking privileges, which at that time had not reported to the Treasury Department.

measure.* Amongst other difficulties in the way of the project, was the circumstance that the Bank performed for government, the functions of a *Loan Office;* paying the interest of the public debt, at such points as were required, free of expense;—this being one of the conditions upon which it was entitled to the use of the public moneys.

The immediate paying off of the public debt would, therefore, accomplish two purposes. It would suddenly deprive the Bank of a large portion of the government deposits, and thus diminish its ability to act as a check upon the local Banks; and it would meet the argument in favor of sustaining the institution, and continuing its privileges, derived from its performance of these Loan Office duties.

To accomplish this object, the chief magistrate of the nation was to be persuaded, that this measure, also, would particularly redound to his personal glory.

Whether the funds to meet the amount of the debt had accumulated, or not, under a previous administration; or whether this accumulation were the result, or not, of past years of national prosperity, was a matter of indifference; the glorification was to consist in the fact that the whole remainder of the national debt was paid during the term of the then ruling president.

The argument, of course, was sufficient, and the step was determined upon. The knowing ones were apprized of the purposes of the administration. All the national stocks then below par were bought up; and the government soon after paid off the whole at the highest possible rate. Stocks paying an interest only of three per cent. per annum, and selling at eighty or eighty-five per cent, being paid off at the full rate of one hundred. The opposers of the Bank gained their point; rich men became richer; the President was glorified, and the people paid the expense.

But this was not all. The contemplated paying off of this amount, having been made known, speculators, or those who had the disposition to speculate, naturally made the calculation, that here was a large amount of capital about being withdrawn from the public funds, which those to whom it belonged must be anxious to invest in something else. Hence, there would be an increased demand for all objects of investment, affording a chance of profit. Real estate must rise, local stocks must rise, property all over the country must rise, and public lands must rise. The idea once current, all who had money or credit, employed their means to the utmost in purchasing lots, lands, and stocks. The national debt was paid off, but the speculations, made in anticipation of the effect of this payment, probably exceeded ten times the amount. Large sums were deposited in different state Banks, which thus unusually supplied, lent out the amount received, with more than ordinary freedom. Purchases were eagerly made, and prices continued to rise;—the first speculators made money, and consequently went on to make new purchases. Others, encouraged by their success, followed in the same career. As prices rose, more money was called for; as it now required more capital to purchase the same quantity of any kind of property. This caused a demand upon the Banks for all that they could spare, and produced a proportional demand upon the United States Bank; which, especially at this crisis, could not

* The measure was particularly injudicious because it had the effect of diverting so much real sound capital (35 millions,) from its regular and wholesome channels of circulation, either to be withdrawn altogether from the country, or to be directed into unwonted channels, tending to hazardous and precarious investments.

be more backward than others in supplying the calls of all applicants, to the extent of its ability. Thus originated the much talked of *expansion* of this institution, which was said to be for party effect, when, in fact, it was but the effect of the impulse given to the spirit of speculation, by the sudden payment of the whole of the national debt, in the manner, and for the reasons represented.

Meantime, the *ball* having been set in motion, continued to roll. Speculation still went on, credit being yet unimpaired; prices continued to rise, and, consequently, more money was called for. Here, then, a check was perceived. Not from a change in the disposition of the conductors of any of the Banks, but from the nature of the case. The state Banks, as well as the National Bank, had all gone to the extent of their means in real capital; and while the national institution continued in operation, they could not create *fictitious* capital to supply the demand for real. A partial reaction took place, and the national Bank was charged with calling in this year, instead of letting out, as it had done the year before; whereas the disposition of the officers and directors of the Bank, and especially of its several branches, could not have changed:—the reaction arising only from the nature of circumstances, over which they could have no control; and the whole amount called in by the Bank, being but a trifling per centage upon the aggregate amount of Bank loans throughout the country.

What was to be done? More capital was wanted, and the foreign stockholders of the United States Bank, being about, as was supposed, to withdraw their capital from the country, so many more new Banks must be incorporated to supply the deficiency; and as almost every new Bank seemed to suppose itself called upon to supply the place of the late National Bank, they must each have adequate means. Banking institutions are accordingly incorporated, with capitals, not merely of one to five millions of dollars, but with liberty to increase to *fifty* millions; as if to assure the people that they should find no deficiency of Banking capital in consequence of the destruction of the national institution, then just compelled to close its concerns. To supply the new Banks with means, fictitious capital was created:—the capital stocks being paid in, or secured to be paid, by the hypothecation of bonds and mortgages, state stocks, and the stocks of other corporations. Available means being wanted, agents were employed to take these securities to Europe, and borrow as much as possible upon them. Money was thus obtained. All the Banks enjoyed for a season, an *equal* degree of credit, and their bills were issued in abundance; the management of some of them, however, being much more judicious and circumspect than that of others. Meantime, the late United States Bank becomes metamorphosed to a *state* institution; having its old capital, with a new charter, and new privileges. Its course differing from the other new Banks only in this, that having thirty-five millions of real capital in possession, it exchanged this real capital for fictitious, apparently with as little loss of time as possible.

There is now, however, no national check or regulator. The Banks are multiplied, and their issues, in various forms, increased. Wild lands are bought up in all parts of the country, and railroads, turnpikes, and canals, are projected and commenced, to give a reputation of value to these lands; and the Banks lend their bills, bonds, and credit, on the security of these railroad, canal, and turnpike stocks; some of the directors being themselves, perhaps, speculators in these almost newly discovered

territories. The greater the amount of loans made in this way, the higher the supposed value of this kind of property; and the greater, of course, the supposed responsibility of those who possess it. Their credit with the Banks, and the liberality of their Banks in lending them, are unbounded. As fictitious capital, however, abounds, real capital disappears; and gold and silver seem to be taking refuge in other countries. To stop the emigration of one, at least, of the precious metals, the administrators of government raise the price of gold by *law*. But the law cannot regulate the comparative quantities of gold and silver in market, any more than it can the comparative quantities of butter and cheese. As silver and gold disappear, the Banks are charged with circulating too many small bills. Efforts are made to prevent the issuiug of Bank bills under *five* dollars, and Banks are even encouraged to expect the favor of government, on condition that they issue no bills less than ten dollars. This only increases the evil, for in proportion as the small bills are redeemed by the banks, so much real capital is taken out of active employment. A specie circular with a demand for hard money, not from a national Bank, but from the national government, at length makes its appearance. All parties are roused to a sense of their condition; professed insolvency spreads over the country; the Banks suspend specie payments, and a general explosion takes place.

In all this action and reaction, the *late* United States Bank had no concern, except that of the experience afforded by these circumstances, and by its own past history, showing that if such a National Institution had continued to exist, with its accustomed operations, these transactions would not, and could not, have occurred.

This will appear still more strongly, in noticing the direct effect of the removal of the government deposits from the place assigned for their keeping by law, to the possession of certain State Institutions, and from these to others.

In the irrigation of cultivated fields, water distributed in judicious and moderate quantities to different portions of the soil, affords due nourishment to the plants and assists their growth; but if thrown too abundantly into particular portions of land, it overwhelms, deluges and destroys all around it. So State Banks, when judiciously supplied with pecuniary means, act the part of irrigating channels, in furnishing capital, as it is wanted, in their respective vicinities. If these Banks be suddenly provided with an unusual addition to their means—more than their customers are able to employ to advantage, and more than is required by the position in which the institutions are placed—this overwhelming surplus is pushed out wherever it can be located, wanted or not wanted, into extraordinary employment. The Bank lends, for fear its money should remain unemployed, without due regard to security; and those who borrow, engage in unaccustomed enterprizes, merely because they can do it with so much facility—a ground of enterprize usually leading to a disastrous result.

As was to be expected, the enormous amount of government funds on hand at the time of their removal from the National Bank, was deposited, or was being deposited, with those State Banks of which the conductors and customers were supposed to be most favorable to the existing administration of government. It was reasonable to suppose that under such circumstances, these funds would be distributed in loans without sufficient regard to security, and too much with the view of gaining friends for the political party then in power.

Whether this apprehension were well founded or not, the jealousy by which it may have been dictated, was a legitimate element of republicanism. It being the very essence of republicanism to oppose especially the augmentation of Executive power. Accordingly, this position of the public moneys gave rise to the passage of what is usually called the *distribution act*, as the only means of providing against the evil apprehended. A remedy the more sure, inasmuch as there were collateral reasons in favor of the adoption of the measure, operating with members of the legislature of all parties. By this act, these funds of the National Government were divided amongst the several States; the consequence of which arrangement was, that the amounts in, or coming into, the several Banks, favored by the *National* Government, must, at the time appointed, be again removed into other Banks, patronized by the different *State* Administrations.

The measure was deemed hostile to the partizans of the National rulers, and it therefore seemed desirable with them to render it as obnoxious as possible: throwing the odium of every inconvenience arising from its operation, upon those from whom it originated. The State Banks themselves, or most of them, knowing the uncertain tenure by which they held these funds, would have lent them out cautiously; but they were directed and urged, as it is said,by the organs of government, to lend these moneys liberally, and to give to their friends all possible accommodation. This undesirable supply of capital was thus hastily pushed into positions where it was not wanted, leading those who were prevailed upon to borrow it, into a snare, and eventually overwhelming and suffocating the unhappy borrower, with the very abundance of means with which he had been so gratuitously deluged. Here, then, was an aggravating cause fomenting, in the first instance, the spirit of speculation, and augmenting the bitterness of the retribution with which it was speedily followed.

SECTION VII.

The United States Bank of Pennsylvania.

The extraordinary result of the affairs of the United States Bank of Pennslyvania, the conductors of which proposed to make it a substitute for a National Bank, has been represented as indicative of the unsound condition, and mismanagement, of the *late* United States Bank, previously under the direction of the same conductors: warranting the objection, as it is urged, that the powers of any National Bank must be subject at all times to similar abuse.

To judge of the weight of this objection, we must see in what the two institutions are alike, and in what they differ.

The Pennsylvania Bank resembles the late National Bank, in having the name and style of *The United States Bank*—with the difference, that its proper style is the United States Bank *of Pennsylvania*. A difference by many not sufficiently noticed; and consequently, by many, these two different, and entirely distinct, institutions, have been regarded as one and the same.

The Pennsylvania Bank resembles also the late National Bank, as having been presided over by the person previously President of the late United States Bank. It had also several of the same directors, officers, tellers and clerks. It had the same capital, and nearly the same

shareholders—except that the proportion of the late National Bank belonging to the Nation, was sold by the Government to this Pennsylvania Institution.

As to the name or style, it is evidently a matter of little importance. A Bank might assume the style of the BANK OF THE WORLD; and yet every one would know that it was no more the Bank of the whole world, than any other Bank. There is a Bank in New York called the *City Bank*, but every one knows that it is no more the Bank of the City, than any other Bank in Wall street. There is another styled the *State Bank*, and another the *Bank of America*; but the first is no more supposed to be *the* Bank of the State, than the other is the Bank of the whole American continent. There are other Banks in different States, styled *The National Bank*; but it is very well known, that not one of them is a Bank of the Nation, or such a National Bank as the circumstances of the country require. So it should be borne in mind, that the *Unitnd States Bank of Pennsylvania*, is no more a *Bank of the United States*, in consequence of its name, than the North American Trust and Banking Company, of New York, is an institution of this northern continent, including the British Provinces.

So far as the names of Banks are adopted merely for the purpose of distinction, no exception can be taken. If adopted to impose upon the understanding of the ignorant, in this, or in any other country, the practice belongs to a class of frauds too contemptible to be noticed. In either case, the giving of the name of the United States Bank, to the Pennsylvanian institution, is no reason whatever for identifying it with the late United States Bank, properly so called.

The same individual who had been president of the United States Bank, became president of the United States Bank of Pennsylvania; but he had nothing in himself enabling him to carry the National character of the old corporation, into the new one. He resigned his place in one institution, in order to be appointed to a similar place in another. He shifted his command, but, unlike the Hero of the Lakes, he could not carry his flag with him. He was obliged to sail under different colors. He merely acted the part of a private citizen, having his own interest in view. As an officer of the old Bank, with a liberal salary, and occupying a highly respectable position, it was desirable for him that this institution should be continued in existence. Finding this to be impracticable, his next effort was to procure a charter from his own State for a new Bank, with the same amount of capital, and to prevail upon the stockholders of the old Bank, to transfer their funds from the National to the State Institution. Possessing the confidence of these stockholders, he accordingly procured their powers of attorney to effect this operation, at the same time being furnished with their proxies, to vote for such directors as he might see fit, which of course was to be done with an eye to his own subsequent election as President of this new *State* Bank. All this was a matter of arrangement with individuals, respecting their own private property, over which they only had the control.

If the Legislature of Pennsylvania, in granting this new charter, acted injudiciously, or imprudently, or granted too unlimited privileges, that had nothing to do with the charter of the old United States Bank; or if the stockholders of the old Bank, in thus assenting to the arrangement of the individual proposed to be at the head of the institution, and in thus giving him their powers of attorney, misplaced their confidence, that also had

nothing to do with the charter, or the character, or the merits, of the old Bank. The proceeding was simply this, that the individuals holding shares in the *National Bank*, converted their interest, by general consent, into so many shares of a State Bank.

The new institution being now organized, and in operation, it remained only to purchase from the Government of the United States, the shares held by the Nation in the old institution. This was done on terms highly favorable to the country. Not a dollar, it is believed, was lost to the public Treasury in the whole of the transaction.

The United States Bank of Pennsylvania, thus becoming the proprietor of all the shares of the late National Bank, became, consequently, the possessor of all the assets, or property, of that institution; and these assets constituted its capital for subsequent operation. That is, the notes, and bills, and bonds, and real estate, of the old Bank, and of all its Branches, became the property of the new State Bank, and subject to its management. From this time, if there was any mismanagement of this property, or any misapplication of the funds resulting from the sales of it, this misapplication, or mismanagement, was effected under the authority of the charter of the *State of Pennsylvania*, and by direction of officers appointed by the stockholders of this new State Institution.

Thus we see how, with nearly the same name, or style, the same President, several of the same directors, and nearly all the same private shareholders—with the possession of the same assets, or property, and the same amount of capital—the United States Bank of Pennsylvania was, and is, nevertheless, an institution entirely distinct from the late United States Bank. The two institutions, so far from being mixed, or amalgamated, actually pursuing each its distinct and respective operations at the same time. One under a new President, and some of its old directors, closing up its affairs; the other, with the Ex-President, and a newly organized Board of Directors, pursuing its course as a State institution. An institution with an immense capital indeed, and what was called a most liberal charter—but still, merely a *State* institution.

We shall now see in what these two corporations differed essentially from each other.

The late United States Bank was chartered by an act of Congress, approved by the President of the United States. The United States Bank of Pennsylvania, was chartered by an act of the Legislature of that State, approved by the Governor. The stockholders of the late United States Bank, paid to the Nation a *bonus* of one million and a half of dollars, in consideration of the privileges granted by its charter, the use of the public deposits, and the advantages of the government circulation. The stockholders of the United States Bank of Pennsylvania, paid to that *State* a bonus of five millions of dollars, (besides stipulating to make some heavy loans for certain public improvements,) for no other privilege than that of a charter giving the conductors of the company an unusual degree of license.

The late National Bank possessed the power of establishing Branches in any, or all, of the different States, and thus of transacting its business on equal terms with other Banks, in all parts of the country.

The *State* Bank possessed no such power, being obliged to confine most of its business to its own State; and elsewhere acting by such agents as it was able to employ, in the same manner as a private individual might do.

The National Bank possessed a capital of thirty-five millions of dollars, employed by means of its Branches, in all parts of the United States. Any surplus not wanted in one position, being easily transferred to another, where it might be more desirable. Thus having no stagnant capital to be forced into any unwarrantable employment, lest the interest upon it should be lost.

The State Bank possessed the same thirty-five millions of capital at its outset, but all to be employed by one Board of Directors, in one State; except such part as might be confided to distant agents. This immense amount of capital for a single State Bank, (so much beyond the wants of its own vicinity,) rendering it necessary for the Board to invent unusual modes of investment; and thence so much the more easily prompting to loans on securities which, under other circumstances, might have been rejected.

The new institution thus situated, it is easy to conceive of the temptation placed before its conductors—controling, as they did, such an overwhelming amount of capital—to enter into large speculations, and engagements, for their own account. Knowing the facility with which they could supply themselves with funds, and perhaps actually considering themselves to be promoting the interests confided to their care, by engaging to pay interest for immense amounts which, but for their enterprize, might remain unprofitably idle.

The late National Bank, besides its capital, from which only comparatively a small *bonus* was to be deducted, had the use of the government deposits, as well as the use of large private deposits of individuals keeping accounts with all its Branches. It had also, as agent of the government, the privilege, and faculty, of circulating its notes in all the States in payment of public debts, which gave these notes also unusual currency for other purposes. The interest on the additional available capital furnished by these items, being more than sufficient to pay the expenses of the institution, remunerate the bonus, and leave a fair semi-annual interest for the stockholders, its conductors had no occasion to resort to unusual modes of investment. The legitimate business for a Bank, of lending money by discounting notes, and dealing in bills of exchange, being all that was required to keep the entire means of the institution employed.

The State Bank, on the contrary, had its capital diminished in the outset, by the payment of a *bonus* disproportionately large. It had further to lend certain large sums at an unusual low rate of interest; while on the other hand, it had no advantage of any public deposits, or government circulation: the private deposits of the Bank being confined to the customers of a single city, and the circulation of its bills, in the ordinary way, being of a very limited character. Its expenses, therefore, were to be paid out of the interest accruing from the remainder of its capital; making it evident that without resorting to some unusual operation, with a view to profit, there was little chance for the shareholders of obtaining even a fair interest on the whole thirty-five millions of capital.

To make the difference more sensible, we suppose, for example, a National Bank of discount, with twenty Branches, having the use of the public moneys, and the use of the deposits of those who keep an account with its several Branches, together with the use of the capital derived from its circulation, both for government, and for ordinary purposes. Its capital stock being thirty-five millions, its additional capital for lending purposes, derived from the sources above mentioned, may be put down at thirty-five

millions more, including the average amount of government deposits. It would thus, doing the ordinary business of lending money, be able to obtain an interest of six per cent. upon seventy millions of dollars; equal to twelve per cent. on its capital stock of thirty-five millions. Leaving ample means for the payment of all expenses, and yielding a fair dividend to the stockholders, without resorting to any extraordinary enterprizes.

We will now suppose a state Bank with the same capital stock of thirty-five millions of dollars; with no other deposits than those of its customers in one city; and no circulation except a share of that which is common to all state Banks. Its additional capital, derived from these sources, must evidently be very small,—perhaps one or two millions of dollars. After paying a bonus of five millions of dollars, it will have, therefore, but about thirty-one or thirty-two millions of dollars to lend; out of which the expenses of the institution, and its agencies, are to be paid; leaving no probability of dividing more than a small interest on the whole thirty-five millions of capital stock. In order then to make up for the want of additional capital, and to do something to meet expenses, the credit of the Bank must be used; and the ingenuity of its conductors must be exercised in devising new modes of Banking.

Money may be obtained in the old countries, on good security, at the rate perhaps of four per cent. per annum. At home the Bank may lend it out at six per cent. per annum. We may suppose our State Bank now to be involved in two opposite difficulties. Its immense capital is too large for its location,—it can lend but a small part of it in the ordinary business of Banking; and yet if it do not lend more than its capital stock, it cannot give a dividend to its shareholders equal to the interest. To obviate the first difficulty, the Bank goes out of its usual course, and places its moneys in state stocks, railroad, canal, and turnpike stocks, and other Bank stocks; or it lends to States, Banks, and other parties; taking these stocks as security. In addition to which, certain conductors of the institution, borrow of the Bank, on security of large shipments of produce, made, or being made, to certain ports in Europe.

All the means to be derived from the capital stock of the Bank being thus employed, to meet the second difficulty, the securities thus received for loans in this country, are forwarded to Europe, where a large portion of the amount lent upon them, if not the whole, is reborrowed at a low rate of interest; the amount thus borrowed abroad, being remitted, or drawn for, is again lent out at home, by the Bank, at the American rate of interest, perhaps upon more of the same kind of securities. More of these securities are again sent to Europe; more money is borrowed on them at the low rate, and being alike remitted, or drawn for, is lent out again in this country, at the higher rate. All this appears a very favorable operation; the Bank, perhaps, making a profit of two per cent clear, merely for placing itself between the American borrower, and the European lender. This two per cent, of course, will go far towards making up any deficiency there may be in the dividends expected on the capital stock, after paying expenses.

The Bank may, in this way, have lent seventy or eighty millions of dollars, which is as much as the old National Bank could have done with all its advantages. Meantime, however, the securities received by the Bank, and transmitted to Europe, are becoming more and more doubtful. Some of the states, perhaps, threaten to repudiate their debts; the railways, canals, and turnpikes, do not appear to be wanted, or are left unfinished, for want of further means. The holders of the securities in Europe, be-

come uneasy, and sacrifice them at half of the nominal value, to reimburse the loans made. The property shipped shares a similar fate; and yields but about half the amount advanced upon it by the Bank; which, thus losing thirty or forty millions of dollars by the securities, upon which it had made its loans, loses, in effect, its entire capital. The whole of this disastrous result being directly traceable to the two peculiarities alluded to:—viz. the throwing of an overwhelming amount of capital into the confined position of a single State Bank; and the necessity, under which such a Bank must labor, of doing something, out of the ordinary course of its business, to compensate for the want of a proportional amount of deposits, and circulation; in order that it may pay expenses, reimburse the amount of bonus paid, and yield a fair dividend of interest to its shareholders. The capital, in the case supposed, designed for twenty-six states, being forced into the vaults of a single Bank! A capital, which might have been subdivided, and lent out under the direction of the conductors of twenty-six branches, being placed altogether at the discretion, and under the management of, perhaps, a single individual! The whole of these transactions, with their unfortunate results, being the very opposite of any thing which could have occurred in the management of a National Bank of discount, with its proper number of branches.

Whatever the securities may have been, the very extent of the loans made upon them by the United States Bank of Pennsylvania, is a proof of the soundness of the condition of the National Bank, from which this state institution derived its means in the first instance. It was with the assets, or property, of the United States Bank, properly so called, that the United States Bank of Pennsylvania, was enabled to pay its enormous bonus, and to make its large loans, on the credit of state stocks. But if any doubt remained upon this point, it must be amply met by referring to the repeated investigations made into the condition of the institution about the time of the removal of the deposits. Investigations made by an *adverse party*, with every disposition to detect wrong, if wrong were to be met with; and yet all resulting in a report favorable to the character of the institution for soundness and stability. So much so, that even when the fate of the Bank was known, and the certainty of the liquidation of its affairs was fully before the public, the price of the stock in the market fully indicated the undiminished confidence of the shareholders; while the price, at which the government held the shares of stocks belonging to the nation, was an evidence of the good opinion entertained by the conductors of the administration themselves, of the value of the assets.

In addition to this, the late *National Bank* was so restricted by its charter, that its conductors could not have fallen into the mistakes to which the same individuals were subject in the management of the state institution. Five of the directors of the parent board were appointed by government; certain changes were periodically to be made in the direction; no loan was to be made, even to the United States government, exceeding half a million of dollars; and no loan to any state exceeding fifty thousand dollars; the Secretary of the Treasury was authorized to call for statements weekly, with the right to inspect general accounts. Penalties for dealing in goods not permitted, were to be enforced to three times the amount: one half payable to the informer; and penalties, for loans not permitted, to three times the amount: one fifth payable to the informer. The Bank was amenable to Congress, and subject to the examination of committees of either branch of the Legislature. Its privileges, and its

charter, being liable to forfeiture, for any abuse of its powers; while in Congress, it had the representatives of twenty-six states to meet as judges; all coming from districts, where other Banks, and other interests, were fully disposed to prefer any well-founded accusations, against an institution acting so powerfully as a check upon their own operations.

The State Bank, on the contrary, enjoyed the advantage, if it may be called such, of a charter, of which it was boasted that it permitted any thing, and every thing. The corporation was accountable only to the Legislature of its own state, of which it was a large *creditor*. It had here, too, an interest in common with other Banks of the same state; and several important works of internal improvement were dependant upon its loans. Where the National Bank would have stood alone in petitioning for exemption from penalty, in case of a suspension of specie payments, this State Bank enjoyed the co-operation of all the moneyed institutions around it. Accordingly, we find, that the united influence of all these state institutions, and of the individuals dependant upon them, was too powerful not to secure for them the immunity desired.

Here, indeed, as we have before intimated, is the peculiar advantage of a *National Bank*, such as it should be, in its operation upon the Bank currency of the country; that standing alone, with little or no hope of indulgence from the national government, it is under the necessity of being rigorous towards itself; and being so, it is unavoidably rigid in its requirements of others; and this is the kind of rigor so indispensable, as a preventative, for insuring the sound and healthy condition of all the moneyed institutions of the country.

So far, then, from the possibility, or probability, that the late United States Bank was subject to the same mismanagement, or that any National Bank could be subject to the abuse of power witnessed in the management of the State Institution alluded to, as well as of many other state institutions, there can be no doubt, that if a National Bank, such as the country had seen in operation for forty years, had continued to exist while this Pennsylvania United States Bank, with other State Banks, was plunging itself into difficulties, the abuses and mismanagement in question, never would have occurred to such a lamentable extent: as every state institution of the kind, imprudently conducted, would then have received a timely *check* to its issues, arresting its hazardous proceedings at their outset.

SECTION VIII.

Other Objections: want of Suitable Conductors.—Banks Regulating themselves.—Corrupt Influence.

It has been said, that "a National Bank is a good thing, provided angels can be procured to conduct it."

We have seen that such an institution is much less liable to mismanagement than a state corporation; and we might reply to the objection, that if State Banks were all under the direction of *angels*, such a regulator as a National Bank would be unnecessary.

All state institutions, however, being under the conduct not of angels, but of men, governed and stimulated by a regard to their own pecuniary interests, a National Bank becomes the more necessary to counterbalance

and provide against the abuses to which the powers of state corporations are liable; it being only those disposed to abuse these privileges, which can have reason to object to the counterpoise thus provided.

Human motives being such as they are, and all moneyed institutions being directed by persons having a regard mainly to their own pecuniary interests, the evil, whatever it may be, resulting from these circumstances, is to be remedied by a judicious balancing of the interests of one class of persons with those of another. Where there is a tendency to expansion on one side, it must be met by something which in its own nature has an equal tendency to restraint. In this matter, so deeply interesting to the national welfare, it is as unreasonable for those restrained to object to the regulating operation of a National Bank, as it would be for the wheels of a time-piece to object to the action of the pendulum.

The objection to a National Bank, that it must be governed by men, and not angels, might with equal force be urged against all the institutions of government. The executive, the legislative, the judicial powers, are all in the hands of men, subject to the influence of selfish passions and motives; and it is for this reason, that the use of power in one department is required to counterbalance its use, and to provide against its abuse in another.

Again it is said by a certain class, as already noticed, that trade should regulate itself. "Leave every Bank," they say, "to pursue its own course, and suffer the consequences of its own folly; the evil will prove its own cure."

This objection might be urged with greater propriety, if, in the matter of Banks, trade were left, or had been left to regulate itself in the first instance. If Banks were not incorporated institutions. If they were not creatures of legislation. If those concerned in Banks were not exempted from personal responsibility. If the stockholders, directors and officers of these corporations were liable in their persons and property. If they were jointly and severally held, for all the engagements of their institutions, on the ordinary principles of copartnership. In such case, they might perhaps, like other establishments in trade, be left to themselves; but then the peculiar advantages set forth, as arising from the invention of incorporated Banks, would be lost to the people and to the country.* The principle of free trade, then having been once encroached upon, by exonerating the parties interested in a Bank, from individual liability, the evils resulting from this first encroachment must be provided against by some counteracting check.

Persons acting on their own responsibility, liable in their persons and property, act so much the more cautiously. Release them from these considerations of restraint, and the same individuals may conduct very differently. The incorporation of moneyed institutions is attended with some evil, but it is also productive of great benefit. The course of wisdom is to provide against the evil that the good may be preserved. *Where no ox is, the crib is clean; but much increase is by the strength of the ox.*

Suppose all incorporated moneyed institutions to be left to themselves. Managed as they are, by persons released from all personal liability, except for technical crime, the probability is, that in a few years the confi-

* See Section III. Part I.

dence of the public, and of the capitalist, large and small, would be entirely withdrawn from them. Those already in existence, would use themselves up, and no new ones, or comparatively none would go into operation. This may be called the remedy; but this is a remedy at the expense of the whole subject, it is the same kind of remedy as that which death brings to the suffering dyspeptic. It is as if a farmer were to kill his oxen to save himself the trouble of cleansing their stalls.

The argument that trade should regulate itself, might as reasonably be applied to merchants individually as to Banks. The merchant, it may be said, will suffer the consequences of his own folly, and therefore he should not be subject to a suit at law. In this way the whole community, as to money matters, may be reduced to a state of anarchy. The shareholders of incorporated Banks, and those who have placed confidence in these institutitutions, may suffer the consequences of the folly, or of the imprudence of the directors; but these directors themselves escape, provided no crime, in the eye of the law, can be alleged against them. If the Banks then are left to themselves, that is, without a check upon their corporate operations, the stockholders, and the public are left unprotected against every thing but actual crime: the case being even worse than that, in which the private trader is exempt from the course of the law.*

If instead of this, the State Banks are kept in check by the operation of a National Institution, the same cause protects the innocent shareholder from suffering for the weakness or incompetency of those to whose management the affairs of his institution have been entrusted. Experience having already taught us, that of the immense amount of losses suffered by the stockholders of various State Banking corporations within a few years, almost the whole amount would have been saved, had there been no lapse of time during which these institutions were without the check of a National Bank of discount and deposit; and however unwelcome such a check may appear to the conductors of institutions, desirous of a certain latitude of proceeding, we find that in effect, it is no more unwelcome than the various regulations of State Legislation substituted for it.

In the State of New York, for instance, in place of the regulating operations of a National Bank, all the Banks of the State are required to pay a certain annual tax to meet the defalcation of any single Bank. They are required to exhibit the state of their affairs periodically to commissioners appointed by the government; and they are required to make such returns to the State Legislature at the close of every year, as not only to subject them to great inconvenience; but such as usually, to produce at this period a species of collapse in all pecuniary concerns throughout the State. All which was unnecessary during the existence of the late National Bank, and that of its predecessor; and would be again unnecessary if a similar National Institution were again in operation.

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* Such is, in some measure, the principle upon which banking associations are now organized in the State of New York. The public are supposed to be protected against loss from the circulation of these associations, by certain securities deposited to secure the payment of their bills. But the stockholders are without any security except that of the good character and ability of the managers of their property. If the institution prove to be in good and able hands, all may go well, but if otherwise, the stockholder loses every thing. The result of this experiment must be that with some few exceptions, confidence will be withdrawn, and capital will seek employment where it finds more security.

Some objectors to a National Bank, have made use of an argument, which if it prove anything, proves too much.

The large resources of such an institution, are said to enable its conductors to exercise an improper influence in the National Legislature. In other words, may enable it to bribe members of Congress. And it is even maintained by some, that such corruption was practised amongst the efforts made to obtain a renewal of the charter of the late Bank, in the way of granting loans, if not in that of *gratuities.* The suspicion itself is unworthy of being entertained, not so much on account of the Bank as on account of the estimation in which the representatives of the people should be held. But admitting that there were any foundation for such apprehension, how much more reason is there to dread the employment in this way, of the united power of several hundred State Banks. If there be danger in trusting the representatives of the people, to the influence of twenty directors of a National Bank, with a capital of thirty-five millions of dollars, how much more danger must there be in exposing them to the influence of fifteen or twenty thousand directors, and officers of seven or eight hundred State Banks, with an aggregate capital of three hundred and fifty or four hundred millions of dollars; making loans perhaps to the extent of five hundred millions. We have seen, that if it were for the interest of the conductors of the late United States Bank to have their charter renewed, there is equal reason to believe, that the parties connected with the State Banks, or a great number of them, deemed it for the interest of their institutions to prevent this renewal. And we know how much easier it must be to collect a large amount for promoting a common object from a great number of establishments, and individuals, than to obtain a much smaller amount from a single institution, especially, where secrecy is required in view of anticipated examinations. In the way of loans too, there can be no doubt that the State Banks have a much better opportunity of accommodating a large number of individuals in public life, than a National Bank with all its Branches could have.

We have then the fact before us, that the late United States Bank notwithstanding all its imputed powers of influence could not obtain a majority of *two thirds* in Congress; although more than a majority of the whole number were in favor of its continued existence; neither could it operate a change on the mind of the individual occupying the Presidential chair, or of his confidential advisers. On the other hand, the issue was precisely such as to meet the views of the State Banks, whose united money power was more than ten times that of the National Bank.

It would be just as reasonable, therefore, to suppose members, who voted on the side of the State Banks, subject to corruption from that quarter; as to suspect those who voted in favor of a National Bank. And there is just as much ground for apprehension, that several hundred State Banks, with their hundreds of millions of capital, might operate upon the mind of a chief magistrate to obtain his *veto;* as there is to fear, that a single National Bank, whose concerns are all subject to the inspection of government officers, and of committees of Congress, might employ any considerable portion of its funds, in obtaining from the National Legislature, by bribery, any indulgences not otherwise to be procured. Especially when it was so well known that all these efforts could and would be rendered abortive by the opposition of a single person for conciliating, whose good will, no efforts had been made. Certainly if bribery were the course to be pursued in a case like this, it would be much more rational for a

body of men to address themselves to the individual possessing the greatest power, especially if the pecuniary circumstances of this individual were not very independent, than to waste efforts upon two or three hundred members of a Legislature, whose purchased favor after all might prove entirely unavailing.

Objections of this kind are arguments in favor of a National Bank, as they show the expediency of maintaining a balance of power between opposite moneyed interests; each jealously disposed to watch the operations of the other.

CONCLUSION.

We have now seen the use of capital, and the importance of economising this use; the inactivity of capital being equal to the loss of so much *power*. We have seen the use of Banks, in giving the requisite activity to dormant capital, by their stocks, by their deposits, and by their paper circulation; and we have seen the necessity of confining the action of these institutions to the employment of *real* capital, in opposition to the employment of that fictitious capital, which if unchecked, they must be the means of creating.

We have noticed the difference between real and fictitious capital; and the mischief arising from an accumulation of the latter wherever it is produced. And we have thence seen the necessity of restricting the operations of all Banks to their proper specie paying limits.

We have seen too, that without such restriction, fictitious capital will not only be created, and become a source of common disaster, but that it will accumulate in some sections of the country much more than in others; giving rise to inequalities in the currency, and consequent instability in the exchanges: thence involving the government in the predicament of adopting on the one hand a *hard money* system, necessarily depriving the country of the use of so much capital, or on the other, of collecting the public dues in bank paper, variously depreciated, with certain loss to the treasury, while the public burthens, in opposition to an express provision of the constitution, fall unequally upon the citizens of different states.

We have seen that the *sufe guard* against the tendency of Banks to create fictitious capital, and the tendency of this fictitious capital to produce unequal depreciations of the paper currency, is to be found in the operation of a NATIONAL BANK *of discount and deposit, of sufficient capital, with Branches in the several states.* Such an institution, aided by its operation as an agent for the public treasury, and by its faculty of discounting notes and bills, acting as a check upon the issues of other Banks in all parts of the country: the faculties of *discounting*, and of establishing *Branches*, being essential to its efficiency.

We have seen that this operation of a National Bank cannot prejudice the rights, or abridge the legitimate privileges of any well conducted moneyed institution: while it enables the government safely to collect its revenue in *Bankpaper;* and as safely to keep the moneys accruing from that revenue, in a place assigned by law:—without the necessity of abstracting so much capital from circulation, or of confining the amounts, whether in paper or in the precious metals, in vaults and safes: and thus too, without affording to any administrators of the government, the opportunity of influencing wealthy and powerful portions of the community by indirect loans, or premises of such loans;—an influence unavoidably incident to a distribution of the public deposits amongst various favored institutions.

We have on the other hand, examined the objections made to the establishment of a National Bank, and even to the existence of all Banks, and we have seen that none of them can be founded in a regard for the well being or prosperity of the laboring classes.

The rich capitalist and his agent, as we have seen, may object to all Banks, and especially to a National Bank, for it is their interest to keep the business of money lending to themselves.

The dealer in exchanges, or in Bank bills may very well object to the operation of a National Bank, for he wants no institution to sell bills cheaper than he can do himself; and the greater the differencc there is in the currency, and the more instability and confusion there is in the domestic exchanges, the better for his trade.

State Banks may not want a National Bank; especially a Bank of *discount*, with *Branches*. They do not want the competition of snch an institution. They may fear that it will lessen their own deposits, and their own circulation, and perhaps take away some of their best customers. Some of them do not like the idea of restriction. They do not wish to be checked. They do not wish to be regulated. Many individuals, too, connected with these Banks, may object. It may interfere with their speculations. They cannot monopolize so much; nor hold their monopolized produce so long. Great capitalists may object. They want high prices even at the expense of a depreciated currency. Banks recklessly managed, and moneyed institutions already insolvent, may object. For the action of a National Bank upon them, must necessarily test their soundness, and expose their mismanagement. A few Banks, too, may object, because they hope to obtain the use of the public moneys themselves, and to be themselves employed in their several districts as agents of the Government.

We have inquired how it is that a mistaken apprehension has been formed of the character and operations of a National Bank, amongst a certain portion of the people; and how it is that this misconception has led to an equal prejudice against all Banks, and all moneyed corporations; and we have traced this prejudice to a certain systematic arrangement, in which the interests of a powerful Bank party on the one side, and those of an aspiring candidate for office on the other, were the only interests consulted. The case, indeed, is a supposed one; but, whether supposed or real, of the correctness of the application every one can judge. That many of the most active opposers of a National Bank, are equally opposed to a hard money, and to a Sub-Treasury, system, is notorious; and it is for the people to inquire why this is so.

We have seen that the ruinous speculation which took place soon after the establishment of the late United States Bank, confined as it was to the

scheming operations of a few individuals, arose from a defect in the charter of the Bank, easily provided against upon any future occasion. We have also seen that the strange mismanagement of the existing United States Bank of Pennsylvania, so called, was almost an unavoidable consequence of the fact, that this institution was merely a *State* Bank, absolutely incumbered with the immense resources of the late National Bank, for which it was a pretended substitute; while, like other local institutions, it was free from the operation of any existing National Regulator, to check the imprudence or extravagance of its conductors. The absence of such a *Regulator* operating the ruin of that State Institution, as it has done the ruin of multitudes of others, differing from it only in the magnitude of their capitals and resources.

Finally, we have seen the futility of the very feeble objections to a National Bank, drawn from a mistaken view of it as a monopoly—from the difficulty of procuring suitable conductors—and from the danger of its supposed influence upon any of the organs of Government.

We have now, we may say, the whole subject before us.

Without a National Bank, such as we have described, and such as the country has been perfectly familiar with, the funds of the Government become a means of perpetuating the political power of a few designing men; and of enabling a small number of individuals to profit by the use of an extraordinary amount of capital, at the public expense.

Without such a Bank, the taxes, duties, and sales of public lands, must be paid in different States in bank money at unequal rates; unless recourse be had to a hard money system, depriving every branch of industry of a large part of the available capital upon which it is dependant.

Without such a National Bank, the issues of the State Banks, and Banking associations, already nearly one thousand in number, cannot be restrained within a specie paying limit; and without such restraint, the operations of most of them, progressing from one degree of excess to another, must terminate in discredit and insolvency.

Without such a National Institution, the advantages of capital brought into use through the instrumentality of Banks, are lost. For without Bank capital, and Bank facilities, the young and the industrious, and all in moderate circumstances, will be unable to purchase on credit, because their notes can no longer be discounted.

Without a National Bank, the sound State Banks cannot introduce their paper into circulation. The mechanic and the laborer will be paid in depreciated bank notes, the worst bills being the most circulated, and the most unprincipled conductors of the worst Banks most benefited.

In fine, without a National Bank, the rich may become richer, and the poor will certainly become poorer; while the whole country must witness the results of reckless speculation in one class, and of despairing idleness in another.

On the other hand. With a National Bank, possessing the requisites supposed, local Banks capable of being restored, may be assisted. A paper currency equal to specie will circulate through the Nation; and the enchanges between the different States will be equalized. The local Banks worthy of credit, will be enabled to retain the full benefit of their respective powers; each performing its functions in its peculiar sphere—each enjoying its share of paper circulation, and of public confidence.

With such a National Bank, the public burthens will fall equally in all the different States, because in all, the revenue will be paid in bank paper

of equal value, without hazard to the Government, and without loss to the country. Real capital, now giving way to fictitious, will come out of its hiding places, as if no longer fearful of contamination; and real capital, procured at the lowest rate of interest, will be brought from distant places and countries, where it is less wanted, to every region of our territory where there is a demand for it.

With a National Bank, the South and West will be supplied with new means; while the North and East are benefited, in proportion as their Southern and Western customers are in better circumstances. The confidence of the wealthy, both at home and abroad, in our various moneyed and manufacturing institutions, will revive. The stocks of these will again become desirable objects of investment; and this accession of real capital will give a new, but not imaginary, value to objects of enterprize, now languishing from want of pecuniary support.

In fine, with a National Bank, the public moneys will be safe. Safe from peculation, and safe from corrupt abuse; while the real capital they afford, will circulate, free from the bias of political favoritism, in every channel of industry throughout the Nation.

Fellow citizens—It is for you to judge of the correctness of this comparison. It is for you, too, to take into consideration the private interests operating upon the minds of objectors to a National Bank. It is for you to compare these interests with the objections made. When called upon to oppose the incorporation of such a National Institution, or to put down the State Banks, or to array yourselves in a pertinatious hostility to all Banks, it is for you to inquiry into the peculiar circumstances, and private reasons, of the individuals making this call upon you. Place their motives, such as you have reason to suppose them, by the side of their objections. Inquire in what respect their circumstances differ from yours, and how far their interests should opèrate upon your minds. Judge of their arguments as you would of the testimony of a witness upon the stand, for whose prejudices and private feelings, and peculiar relations, you felt yourselves called upon to make suitable allowance.

The subject is with you. I do not ask your acquiescence in my opinions. I ask only your patient, fair, investigation of the whole matter: discussed upon its own merits, apart from all party, or political associations: aided only by the comparison, which the recollections of many of you will enable you to make, between the present state of the country, and its state during the greater part of that period when a National Bank was in full operation.

If you have hitherto acted under mistaken apprehensions, I ask only a magnanimous expression of your change of opinion. If, after mature consideration, you come to the conclusion that a *National Bank of discount and deposit, with Branches in the several States*, is essential to the prosperity of the country, I ask, for your country's sake, that you unite with one voice to demand of your rulers, the incorporation of such an institution.

APPENDIX.

For some years previous to the closing of the operations of the late United States Bank, the greatest difference of exchange charged on inland bills discounted by the Branch in New York, was $\frac{3}{4}$ per cent. The exchange on places north and east of the District of Columbia, inclusive, was at par. On New Orleans, Mobile, and seaports in North and South Carolina, $\frac{3}{8}$ to $\frac{1}{2}$ per cent. On other places, varying only from $\frac{1}{4}$ to $\frac{1}{2}$ per cent.

The following are rates of exchange quoted at New York, 5th February, 1842:—

Bills on Philadelphia,	6	and	$6\frac{1}{4}$	dis.
Bills on Baltimore,	$3\frac{3}{4}$	and	4	dis.
Bills on Richmond,	$8\frac{1}{2}$	and	9	dis.
Bills on North Carolina,	5	and	$5\frac{1}{2}$	dis.
Bills on Charleston,	$1\frac{1}{2}$	and	$1\frac{3}{4}$	dis.
Bills on Savannah,	$2\frac{1}{2}$	and	3	dis.
Bills on Augusta,	4	and	$4\frac{1}{2}$	dis.
Bills on Columbus,	16	and	17	dis.
Bills on Macon,	13	and	14	dis.
Bills on Mobile,	14	and	$14\frac{1}{2}$	dis.
Bills on New Orleans,	$6\frac{1}{2}$	and	$6\frac{3}{4}$	dis.
Bills on Louisville,	11	and	12	dis.
Bills on Nashville,	15	and	18	dis.
Bills on Natchez,	25	and	30	dis.
Bills on St. Louis,	14	and	15	dis.
Bills on Cincinnati,	$13\frac{1}{2}$	and	14	dis.
Bills on Michigan,	9	and	10	dis,

The following are the different rates of discount on bank bills:—

On bills of good Banks in the State, $\frac{1}{2}$ to $1\frac{1}{2}$ per cent.; on bills of doubtful Banks, 20, 25, 37, 40, and 50, per cent. On bills of Banks in New Jersey, from $\frac{1}{2}$ to 7 per cent. Pennsylvania, 7 to 10 per cent. Delaware, 8 to 10. Maryland, 5. District of Columbia, 5. Virginia, 8. North Carolina, 6. South Carolina, 3 to $4\frac{1}{2}$. Georgia, 10. Alabama, 20. Louisiana, 10 to 25. Kentucky, 12. Ohio, 20. Indiana, 17. Illinois, 20 to 25.

EXTRACT FROM TABLES APPENDED TO THE REPORT OF THE SECRETARY OF THE TREASURY. MARCH 3, 1841.

Condensed statement of the condition, at different intervals, of all the Banks in the United States.

Date.	Total number of Banks.*	Loans and discounts.	Specie.	Circulation.	Deposits.	Capital.
January 1, 1811	89		$15,400,000	$28,100,000		$52,601,601
Do 1815	208		17,000,000	45,500,000		82,259,590
Do 1816	246		19,000,000	68,000,000		89,822,422
Do 1820	308		19,820,240	44,863,344	$35,950,470	137,110,611
Do 1830	330	$200,451,214	22,114,917	61,323,898	55,559,928	145,192,268
Do 1834	506	324,119,499		94,839,570	75,666,986	200,005,944
Do 1835	558	365,163,834	43,937,625	103,692,495	83,081,365	231,250,337
Do 1836	567	457,506,080	40,019,594	140,301,038	115,104,440	251,875,292
Do 1837	634	525,115,702	37,915,340	149,185,890	127,397,185	290,772,091
Do 1838	663	485,631,687	35,184,112	116,138,910	84,691,184	317,636,778
Do 1839	662	492,278,015	45,132,673	135,170,995	90,240,146	327,132,512
Do 1840	722	462,896,523	33,105,155	106,968,572	75,696,857	358,442,692

* The number of Branches is not given in this table, as it was not the practice to enumerate them previous to 1835. The whole number of Banks and Branches, at the commencement of 1840, was 901.

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